Make Everybody Rich — *Industry's* New Goal

by Benjamin A. Javits

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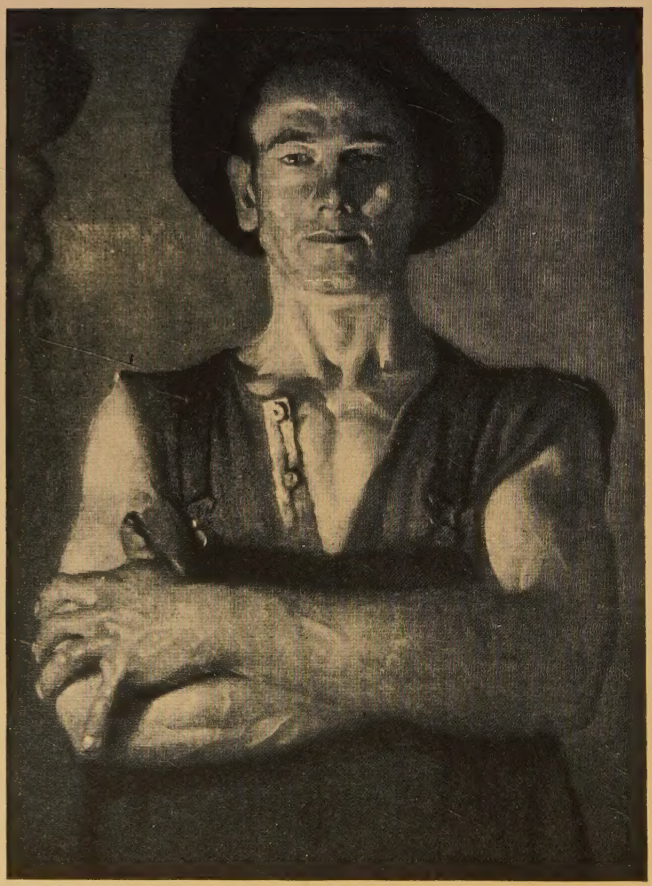

From painting © by Gerret A. Beneker

MEN ARE SQUARE

Make Everybody Rich

Industry's New Goal

By

BENJAMIN A. JAVITS

IN COLLABORATION WITH

CHARLES W. WOOD

B. C. FORBES PUBLISHING COMPANY

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MANUFACTURED IN THE UNITED STATES OF AMERICA

To the

INDUSTRIAL STATESMEN OF AMERICA

Foreword

AMERICA'S groping in search of a new way toward industrial happiness is revealed in this swift summary and panorama that pictures American history as it is not revealed in the text-books.

America really has two minds, a reverence for the past and an acceptance of facts which guide its leaders. This book aims to set forth the trends of our industrial life and a vision of the future for the individual.

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Introduction

I am aware that "Making Everybody Rich" will not be recognized by the average business man, even in America, as the goal of industry. In fact, if one were to ask this average business man what the goal of industry is, it is very doubtful if he would get any reply.

He might be told that the goal of industry is to sell goods at a profit; but that would be a mere statement of his own immediate objective. If pressed to state what the goal of all industry is, he would find himself in intellectual difficulties, not merely because he has not been accustomed to thinking of industry as having a goal, but because he has not been accustomed to thinking of industry at all. He has been thinking rather of separate industries, and cannot see the forest because of the trees.

Nevertheless it has become imperative to think of industry as industry, just as imperative as it is to think of government as government. The fact that the average politician does not think of government as government, but merely in terms of the jobs he hopes to get, or to give to others in the process of increasing his own

political power, need not confuse any intelligent person as to the real goal of government.

Fortunately, the real industrial leaders of present day America do not need to be told that the goal of industry is to make everybody rich. It was they who discovered this fact, not the author of this book. It was they who discovered the economic necessity for high wages. It was they who discovered the economic principle of service — the greatest possible service at the least possible cost to human life.

But what is the greatest possible service which industry can perform? Surely it is not the making of certain industrial leaders rich, however advantageous to them and to all society such personal fortunes may be. The part, surely, cannot be greater than the whole. To make everybody rich is a greater service than is the mere maintenance of what we have hitherto been calling prosperity.

If industry is to serve a mere part of society — if, for instance, it is to serve merely those who are considered competent and "fit" it must be hampered at every step with misunderstanding and antagonism. For few of us, it must be admitted, are thoroughly competent or thoroughly "fit." If it is the purpose of industry to serve only the wise, not only must its service be very limited, but the antagonism of the non-served would be ruinous. Industry must be catholic.

It must include everybody in its benefits. If its goal is service, it must not limit that service: and it must set out, not to serve any particular class of people or any particular kind of people, but to serve *people as they are.*

With industry giving maximum service, there remains the question as to whether there would be riches enough for everybody. It is not a question, however, upon which real industrialists will have much disagreement. Modern industrial processes, if the forces which work against them could only be eliminated, are demonstrably sufficient to raise all America and eventually all the world, not only out of poverty, but into the realm of freedom and abundance.

The greatest of the forces working against this object is ignorance. Ignorance, primarily as to the nature and the object of industry, and the nature and the object of human life itself. This book is not meant as propaganda. It does not agitate for any program, either economic or political: its purpose is purely educational. Its object is to portray the situation as it really is, in full confidence that the industrial intelligence of America, when it once grasps these realities, will rise adequately to meet all the problems involved.

The author, being a lawyer, has naturally stressed the handicaps which the Anti-Trust Laws are now imposing upon American industry. That they were good

laws he is quite willing to concede: for they were conceived in a time when no one, perhaps least of all the actual heads of our greatest industries, had any inkling whatever of industry's real goal.

They thought, many of them at least, that the goal of industry was to make *them* rich, and to give them great advantages over the masses of men. The masses can hardly be criticised for sharing these views, and so they wrote upon our statute books laws which were designed to keep such industrial leaders from achieving any such goal.

That these laws are not only no longer necessary, but that they are now harmful to everybody's interest, must be apparent to all who make a thorough study of the world wide situation. Nevertheless, the repeal of such laws would, by itself, accomplish very little. Industry can reach its goal only by industrial action, which necessitates industrial co-ordination.

The author has no pet scheme as to how this co-ordination shall be brought about. Let me emphasize, however, that if the movement to "make everybody rich" is not soon attempted by organized industrial intelligence, it will soon be attempted by organized political ignorance.

BENJAMIN A. JAVITS

NEW YORK, NEW YORK.
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Make Everybody Rich

Industry's New Goal

CHAPTER ONE

The Great American Paradox

No such human society ever existed before. America is a paradox. It is not what it is, for it is always becoming something else. America today is not at all the America of ten years ago, and it is an utterly different social order from that in which the average adult American was brought up.

There are two things in everybody's consciousness in which America easily outdistances every other modern civilization. They are Prosperity and Crime.

That is not at all according to Hoyle. Where there is great social disorder, we have been accustomed to look for great economic disorder. But America is different. Here the economic machine is running more smoothly than ever be-

fore, and more efficiently than the economic machine of any other country in the world, past or present. In spite of this, however, murderous gangs infest all the chief cities. They steal several billion dollars worth of wealth each year. Upwards of 10,000 murders are committed annually. The courts are working overtime; and although above ninety per cent of the major crimes seem to go unpunished, the prisons are full.

It must not be supposed from this that America is lacking in morality or moral passion. America is strenuously moral and is noted for the abundance of her moral laws. It is a crime in America to sell intoxicating liquors, or even to have them in one's possession. In many states, it is a crime to play baseball on Sunday.

"Law and Order" is America's supreme ideal; and fully fifty per cent of it has been realized. She has more law and less order than any other modern civilization.

But there are more laws to come. When any considerable group of Americans want anything,

one of the first thoughts is to pass a law to bring it about.

For America is a democracy, and the opinion of the majority is theoretically supreme. If a zealous reformer hasn't a majority, however, a compact minority will do. For in Congress, as in every State Legislature, the Administration can seldom afford to offend any considerable group of voters, and it will trade its endorsement of projects in which it is not interested in return for support of those measures in which it is.

America is a country of staggering achievement. Industrially, she stands first among the nations of the world, and there is no second. She has the greatest corporations, with the greatest aggregations of capital, which the world ever knew. She is proud of those corporations, and rightly so, for it is to them that she owes her industrial supremacy.

These huge corporations, by substituting co-ordination for competition, have made mass-production, with its resultant economies, possible. They have been able, also, to stabilize in-

dustry after industry. They have been able to bring the industries under such control as to eliminate some of the worst horrors of unrestricted competition with its regular periods of over-production followed by industrial collapse.

These corporations have also been able to maintain a high wage standard, which has contributed so greatly to the general prosperity. In other countries (and in America up to the present wonderful period) it has remained for labor to fight for what it could get — what it could get depending upon how good the times happened to be and how greatly, therefore, labor was in demand. In America today, this class struggle scarcely exists. For the maintenance of a high wage scale, and consequent high purchasing power among the workers, is accepted as a responsibility of modern management.

Americans, surely, have a right to be proud of these great corporations which so successfully control the flow of goods from producer to consumer or, in other words, so successfully restrain trade. In this same America, however, to enter

into any combination in restraint of trade is, by Act of Congress, a crime.

No, these corporations are not criminal. No one knows what the law is, in America, until the Supreme Court has passed upon it: and the Supreme Court decided in the famous Standard Oil case that any *reasonable* restraint of trade was permissible in spite of the Sherman Law. Whether any move is reasonable, or unreasonable, however, nobody knows, not even the Supreme Court. At least, if the Supreme Court does know, it will not say, until the case has been duly brought before it. And then, although it may find the restraint to be economically and socially reasonable, it may nevertheless decide it to be legally unreasonable.

That such a restraint may be executed in the public interest has nothing to do with the case. The great Standard Oil Company was compelled to " dissolve " because it seemed to be exercising an oil monopoly. Today the public interest obviously demands some sort of oil monopoly, but the oil business cannot discover a way to bring one about.

Every time a new oil field is discovered in America, it is exhausted as soon as possible. America does not want this to happen. America knows that her oil supply must be limited and, barring the discovery of some hitherto unknown source of power, there must come a time when this oil will be sorely needed. Yet if a company strikes oil, it must get busy and get that oil out of the ground, and it must put up many more derricks than are necessary. If it does not, some rival company is likely to tap the same pool in some other place, and to drain it dry before the first company can achieve any benefit from it.

There is no way in which any one can buy an oil pool, for oil pools are not property. All that one can buy is the land above it and the right to drill through that land for anything that one can bring up. All the companies, then, which can connect with any specific pool, are economically compelled to do so.

They may not *want* to do so. Each may already have more oil than it can sell; and with the unprofitable conditions which have obtained in the oil industry, each might be glad to leave the

oil in the ground if there were any assurance that the others would leave it there too. But there is no such assurance. They cannot enter into any agreement to that end, for that would constitute a conspiracy to restrain trade.

It may be supposed that such reckless exhaustion of the natural resources would at least create such an over-production as to bring the price of oil and gasoline to the lowest possible level. But in paradoxical America, we may have over-production and high prices. Maximum production in a situation like this does not mean economical production. It means the most expensive kind of production and the cost is necessarily borne by the consumer as far as it is possible to make him do so. It is in the most highly profitable industries in America, such as the automobile industry, that sensationally low price-levels have been reached.

In the McKeesport gas pool, for instance, discovered in 1920, two wells, at a combined cost of $15,000, would have been thoroughly adequate, according to the best engineering estimates, to exploit the whole pool. In a mad, competitive

rush, however, 621 other wells were drilled at a cost of approximately $7,500,000: and within a few months, 441 of these were either plugged or abandoned. Consumers paid roundly for that.

America has a world-wide reputation today for her economical methods of production, and this reputation is justified. Nowhere else can one find such fine co-ordination in the industrial processes. But nowhere else, on the other land, can one find such wild, fantastic, utter lack of system as in this basic industry of oil and gas.

This is part of the great American Paradox. It is not that Americans do not know better, nor that the folks in the oil industry are monsters of greed while the executives in other lines are enlightened Christians. The oil fields, to be sure, are models of Pandemonium. Each new strike is a case of hell let loose. Manners, morals and even reason itself are customarily abandoned and the ethics of the jungle prevail. But if one imagines that this is because there is no law and order in America, he is misinformed. There is no order in these fields because there is a law. In the matter of the production of crude petroleum,

the Sherman Law has had its most rigorous enforcement.

In the other branches of the oil business, there is no such disorder and no such frightful waste. In the transporting, refining and marketing of oil, where the policy of enforced competition has been least effective, a relatively high degree of economy and efficiency has been attained. Standard Oil, although "dissolved"—that is, compelled to set up shops in different States instead of in the States as a whole—is today one of the most effective and most admired of American enterprises.

It is not merely in the oil industry, however, that Americans are fighting each other, at a terrific cost, in ways in which they do not want to fight and which, they know, are not only detrimental to themselves but to the public interest. There is scarcely a trade association in the country in which enemies who do not want to be enemies, are not prevented by the Sherman Law from coming to some friendly understanding.

These longed-for trade agreements, to be sure, might be made in the public interest. But

that makes no difference. It might be strictly in the public interest, for instance, for competitors producing substantially the same product to divide their territory in such a way that each will have a monopoly within a specified district. But any agreement to do such a thing would be criminal, no matter how it might reduce the cost to the consumer through eliminating duplication.

One result, for example, is that American roads are lined with filling stations in which several brands of the same grade of gasoline can be secured: and the autoist, when he fills his tank, has to pay not merely for the cost of producing and refining and distributing what he buys but the additional cost of keeping up half a dozen competitive organizations to perform the same service — half a dozen delivery trucks, half a dozen different sets of books, half a dozen clerks and half a dozen other items of overhead for every one that is needed. And this in spite of the fact that the marketing of oil was just said to be in a relatively efficient state.

But Americans are efficient. There can be no denying that. In fact, the average American

business is so efficient that it is not making any money. That sounds fantastic but it is a solemn fact. A more popular way of stating it is to speak of "profitless prosperity."

This phenomenon of profitless prosperity is something new under the economic sun. It is no new thing for successful businesses to strike lean years, in which it becomes necessary to curtail production, discharge employees and possibly shut down the whole works. But never before have industries in such numbers failed to make profits while they were running full blast.

Dr. Julius Klein, of the Department of Commerce, referred in a recent issue of *Forbes* to the seeming prosperity in a certain line of the machinery industry in which ten companies netted a turnover of $14,000,000 a year; but a check-up of the ten companies disclosed the fact that the net profit of all ten during this period had been only $130,000.

What was the cause of this? Was it inefficiency?

No, it was efficiency. Had seven or eight of these companies been inefficient, the remaining

two or three might have realized a handsome profit. But ten efficient companies, all fully alive to the most modern methods, could not make a profit. The most they could do was to keep each other from making any profit.

To a certain type of radical mind, this may seem to be a very gratifying situation. This type of mind argues that profits are exploitation and that, if business goes on with a minimum of exploitation, the situation is almost perfect.

Strange to say, the average business man in America is unable to answer this argument. It is not that he lacks intelligence. It is due to the fact, rather, that he is too busy to do much abstract thinking and in too desperate a situation to think calmly.

But he need not worry. The argument does not need answering, for business without profit cannot go on. One hundred and thirty thousand dollars a year is not enough to keep ten such companies in business, and the companies will soon find it out.

Then there will be another merger.

Possibly there will be two or three com-

petitive mergers: but whatever the steps, the principle of co-ordination will be employed.

In fact, that is what is happening in America. Co-ordination is supplanting competition. It is doing so in spite of the Sherman Law, perhaps in a measure because of it. For the Sherman Law, in seeming to array the Government against the natural progress of business, seems to have saved American Business from the lethargy which might have accompanied a too paternalistic attitude on the part of the Government. The Sherman Law has promoted the principle of the present-day "merger."

The purpose of these mergers is to make profits and this does not please the radical mind at all. But the effect of these mergers is to socialize industry, and those who are engaging in these mergers, are, therefore, rather more socialistic than the socialists.

If this seems illogical, please remember that America is a paradox. In America, it is the capitalists who are the socialists: and it is the capitalist — the modern, enlightened capitalist, who most clearly sees the necessity of raising wages

and shortening the work-day while this socializing process is going on. America is unlike any other modern nation in that it has no " radical movement " of consequence. This is because real America is so largely controlled by " Radicals."

Few people know that these men are Radicals. They do not even know it themselves. This lack of self-consciousness is fortunate, as it enables them to get results. They are our great labor organizers, for they are organizing the labor of the nation. They are organizing its work.

The self-conscious Radical is content merely to organize the workers, generally in some hall. But workers do not work in halls, and their work cannot be organized in one. There are no tools in these halls, and no electric power. Nothing much can be manufactured there excepting conversation. This conversation may take the form of a proposal to " seize " the machinery of production and distribution, but what to do with this machinery after it has been seized is not so clear. Only in the backward industries — in

Coal and in Textiles and in some others which have not learned the first principles of co-ordination — does this sort of radicalism make any headway.

Another considerable paradox of modern America is in the way she is being hounded by her debtors.

Being hounded by creditors is a conventional predicament, but history does not present a parallel to the situation which now exists, in which a great Nation is constructing barrier after barrier to keep its debtors from paying their debts.

As a result of the war, and because American industry had become so phenomenally successful, this country at once became the great creditor nation of the world. We loaned money to our Allies in amounts so large as to be inconceivable even to the statesmen who were handling the loans. For the first time, the world learned to count in billions, and the billions were coming from America.

But we did not stop with the Armistice. We could not. America had the money, and surplus

money must be either loaned or hoarded: and if hoarded, it soon ceases to have value. Money is not wealth. It is a symbol of wealth, and its uses are to effect the transfer of wealth and to capitalize the production of still more wealth. If money is not used for this purpose, wealth production lags and money loses its value.

With the wealth of the world residing in America, then, it was inevitable that America should become the world capitalist. And so, at present, exclusive of war debts, the people of other nations are now indebted to us in excess of $11,000,000,000.

America is afraid that these debts will not be paid. But America is equally afraid that they will be.

If paid, of course, they must be paid in goods. There is no other way. Even if they were paid in money, they would still be paid in goods. For the wealth borrowed could not be returned at all unless it is used to manufacture more wealth, that is, goods: and these goods must be sent to America in return for the original

loan, or sold to other consumers to whom America will be trying to sell her goods instead.

Whichever they do, it will be much the same to America. If Europe sends goods here directly, they must be sold at prices which will undersell American products in America. If she sells them elsewhere, she must undersell American products elsewhere: and America does not want her to do either; for America wants to sell all the goods she can, in America and elsewhere too.

Nevertheless, if she does not undersell us somehow, she cannot pay us at all; and America cannot bear the thought of that.

If Europe wastes the money in military adventures, she cannot pay it back. For military adventures only destroy wealth: they do not create any.

America is awake by this time to the necessity for peace. Not merely peace for America alone, but world peace. Business has reached a point where the sheer waste of war is understood.

But that leads to still another paradox.

Why does American business demand peace? That is, what are the economic reasons?

So that the war can go on.

Just that. Modern war is economic in its origin. That does not have to be argued any longer, for every diplomat and every educated industrialist agrees. Wars result from the competitive conflict of group with group in the search for raw materials and for markets: but where this conflict actually leads to war, all sides lose. Victory, it is now known, is not victory. It is merely another form of victimization and may be even more expensive than defeat.

The problem from this point of view is to avoid war while keeping the cause of war intact. That is, each nation must have political peace so that the trade war, which is the one constant menace to political peace, may be waged with greater and greater intensity.

There is one and only one way out of this international dilemma: and it is the way which industry is taking, although it is being driven to the step by economic necessity rather than by political idealism. That way is the formation of

international combines to regulate international trade.

The international combination in restraint of trade is no longer a mere theory. It has arrived. Its immediate object is to combine against America: otherwise, the various countries concerned could not make enough money to pay the American debt. American capital, of course, is being used in the financing of these combinations: but American corporations, so far from being permitted to participate in these world movements to substitute co-operation for competition, are even forbidden by law to get together and end the industrial war within our own borders. Profitless prosperity is but one of the results.

America is also developing unemployment — large scale unemployment — even while business is good. The winter of 1927–1928 gave us the first demonstration of this. It was just another one of those things which could not happen but did. Millions were out of work: nobody knew, and nobody could find out how many millions. Some placed it as high as 8,000,000. The

Department of Labor estimated that there were between two and three million more than usual, but no one could say what the usual unemployment is.

At any rate, there were long bread-lines in New York and all the other leading cities at the very time that Wall Street was experiencing its greatest boom in history. Huge corporations were cutting melons. Mr. Raskob had just announced that General Motors alone had manufactured 85 up-to-date millionaires. America has experienced many other worse periods of unemployment, but this was the first time, in this or any other civilization, when large scale unemployment accompanied a period of great economic activity.

There are a thousand other ways in which the paradoxical character of American civilization may be depicted: but to go into them in any detail would take a whole volume. The purpose of this book is not to mystify the reader, but to enable him to see a picture of America and to understand the peculiar nature of these present times.

These are not the old problems which are confronting us, and to attempt to solve them by the old formulas would be worse than futile. These are new problems, growing directly out of conditions which have never obtained before. Every paradox may be explained and every mystery dissolved, if one will only take the pains to observe *America in motion*.

It is not enough to know what America has been, nor what it is: it is equally necessary, if one wants to take an intelligent attitude toward his country's development, to observe the direction in which it is going.

I do not mean that we should become fortune-tellers. We cannot be. Too many things may happen to upset our guesses. But we can be forward-looking. We can observe these happenings not as isolated phenomena but as different parts of one evolutionary process. And seeing that, if we may not mold the future society according to our own peculiar prejudices and whims, we may at least refrain from opposing our notions to the new statesmanship which is

just now promising to bring order out of this new chaos.

It is not political statesmanship, for America is no longer a political civilization. It is an industrial civilization, and only industrial statesmanship can solve these problems.

They are being solved. There is no call for cynicism on that score. Industrial statesmanship is getting into action. Whether the solution will be long and painful, however, or whether it will consist of an exciting and delightful transition into the glories of the new order, does not depend entirely upon the leaders. It depends also upon the ability of the followers and co-workers to realize that this is a great adventure and that they must perform their part willingly and completely.

It is not enough that a few Big Business leaders shall understand what is going on. It is necessary that the mass of employers and employees shall catch the spirit of the times. To ring in the new, however, it is necessary to ring out the old, and ringing out the old is not always as easy as it sounds.

Every business man and every worker in America today is capable of reacting cheerfully to the new order unless he is inhibited by habitual reactions. In some cases, however, employers who are perfectly aware of the changed relations between capital and labor, are still bungling the job of co-operation through permitting the old bargaining habits to enter into their negotiations with their employees. Similarly, workers who understand and like the new conditions, are likely to react at times to the ancient and archaic code of labor, instead of accepting the new responsibilities which must accompany the new status.

When we undertake new lines of action, we usually know why we do so, or at least have some rational theory in the matter. But when the new action is rendered ineffective by the injection of some old and merely habitual reaction, we are not so likely to understand, and we may conclude despairingly that the new theories do not work.

In spite of the great strides which we have made, for instance, toward co-operation between

labor and capital, the industrial map is strewn with wrecks of many well-intentioned co-operative enterprises. Why have they not worked? And why, in so many cases, have disillusioned employers decided to go back to the old methods and not undertake any new experiments?

Each case no doubt has its special answer, but one general answer can be given. Often, at least, it has been because, in the adoption of new policies, the why and the wherefore of the old policies have not been understood.

If we are to understand the new, and act successfully upon it, we must understand the old that we may successfully weed it out. If we are to leave the past behind us, we must know what to leave. What is this position which we must abandon and how did we come to hold it? To answer that question, it is vitally necessary that Americans shall understand America — not merely the America which they are presently going to live in, but the America which they must leave behind.

Our next chapter, therefore, will deal with America and how it happened to happen.

CHAPTER TWO

A Fast Movie of American History

When Columbus first discovered America, he did not know it.

This was no reflection on his intelligence. You would not have known it either: for there was nothing in the human mind of those times to permit the formation of any such concept.

India was thinkable. An utterly new continent was not.

But it became thinkable shortly: for America was such an important fact that everybody who came here had to think about it.

And he had to think fast. If he did not think on the trigger, some redskin thought first, and that was the end of the new-comer.

This new America in which we have been living since 1918 likewise demands fast thinking.

One of our fastest thinkers in his own realm of industry, Henry Ford, observed on the witness stand that "*history is bunk.*" This was rather a crude way of expressing a great idea: nevertheless, if any American were to attempt to conduct his business today according to the historic formulas of business, he would soon discover that he had been sadly bunked.

From time immemorial, and up to a very recent period in history, business was not considered honorable. It was supposed to be a game of grab, and even the business man thought so too. He was not supposed to create anything — to add anything to the world's wealth. Wealth, it was believed, came from the land, and from the labor which was expended upon it. So it was highly honorable to own land, especially if one owned plenty of laborers to exploit it fully.

But business was just trade. It meant buying something as cheaply as possible, perhaps because some unfortunate had to part with it, and selling it for as high a price as one could extort from some other unfortunates who thought they had to have it. People engaged in trade were

expected to lie, to misrepresent and to adulterate their products — above all, they were expected to grab. If there was to be any check upon this grabbing process, it had to come from those who were responsible for keeping things going: that is, from the noble and honorable classes.

Things were not kept going by business in those days. Most of what people had to consume was raised at home. If they had a surplus, of course, they might sell it to a business man, and they might buy from the business man some things which they had not been able to raise. But not until factory production began, did people devote their first thoughts to the manufacturing of a surplus.

When people lived in patriarchal families, or on feudal estates, they made it their first object to manufacture what they had to consume. But when they got to organizing factories, it became their first object to manufacture what the outside world might want to consume.

This gave an altogether different twist to life. People were as selfish and narrow and provincial as ever: nevertheless, they began per-

force to look beyond their own needs, and think of the needs of the other fellow, to a degree that people had never done before.

At first, of course, they thought of those needs of the other fellow in terms strictly of their own private profit. But that was at first. Thinking of them at all eventually did things to the thinkers. It utterly changed "human nature"; but that is cutting ahead a couple of centuries and perhaps should not be mentioned here.

The invention of the steam engine revolutionized human life. But human life did not know it. All that human life could see was that it was working more and more in factories now, and less and less on feudal estates. That the world began at this time to dream of "Liberty, Equality and Fraternity," was quite natural, under the circumstances, considering the way in which the new factory arrangements were breaking up the hitherto fixed status of human lives.

When adventurous Europeans began to settle in the new continent of America, they carried with them all their old-fashioned European notions. They did not aim to become business men,

or laborers, or factory workers. They had it in their minds, for the most part, to become landed proprietors.

The New World did peculiar things to them. They became landed proprietors, often, only to find out that everybody else was a landed proprietor too. There was land enough here for everybody: and just because there was land enough for everybody, almost nobody could have an estate. In order to have an estate it was necessary to have people who did not own land to work on it; and in this new country, such labor was mighty scarce. The only way that one could have anything resembling a European estate was to buy slaves.

The great majority of the immigrants became farmers and worked their own farms. It was a hard life but an independent one. Being a landowner did not give one any special social standing, but it did place one where nobody else could domineer over him.

There were easier ways of getting money, if that is what one was thinking about, and in the course of time a good many did think about it. That was in commerce — trade. And after the

steam engine was invented, making it possible for things to be made by machinery instead of by men working with their hands, a good many of the settlers turned their thoughts to manufacturing.

There was any amount of raw material in America, but labor was scarce. There was any amount of labor in Europe, but raw materials were scarce. This made a great difference, even in the early days, between European and American methods.

European employers were very careless as to how they wasted labor but had to be very saving of raw materials. American employers were extremely careless of raw materials but had to be very saving of labor.

It was inevitable that conditions in this new world should breed a new philosophy. The settlers in the thirteen colonies, even those who had fled here to escape tyranny, were generally loyal to British institutions: but actual experience gradually built up a different point of view. Then, as now, the average American had two minds — the mind which had been handed down

to him from a past social order and the mind which he was compelled to exercise daily if he hoped to keep up in this new society.

According to his tradition, he was a subject of the King, and it was due to the King's grant and the King's protection that he was permitted to live in one of these crown colonies. But his everyday experience kept reminding him that his protection really came from his own ax and hoe and gun.

He did not revise his theories all at once, but the mind which was being used kept growing stronger and the one which he was not using grew weaker and weaker. He became more and more independent, self-reliant, individualistic and unruly.

In 1775, he was still, theoretically, loyal. In 1776, he had subscribed to a document declaring in effect that everybody is as good as a king and a little better, and there was nothing that he so loathed as kings, particularly King George.

There were only a few million people in America at the close of the Revolution, but they were such an ungovernable lot that, if they were

to have any sort of going government, it would require superb political statesmanship to set one up. But America rose to the occasion. She furnished the political statesmanship and she set up a government which has never since been overthrown.

America has changed beyond recognition since those eventful days. But so has the government. America and her government have always been a little at odds; but like a genuinely mated couple, they have invariably succeeded in patching up their differences, and only once — that was in 1861 — was there ever any serious thought of a divorce.

When the government was instituted, there were thirteen colonies, all remote from and jealous of each other: hence, one of the first principles of the young government was that no State or group of States should be able to use the Federal government to encroach upon the rights of any other State. In the course of time, however, the States were all brought close together. By means of railroads, telegraph lines and daily newspapers, and later through the automobile,

telephone and radio, it got so that State lines scarcely had any meaning at all. The people by this time were grouped, not according to their States but according to their jobs. Nevertheless, the old government somehow managed to suit them; and the more change there was, the less talk there was of changing it.

"That government is best which governs least," they said in the beginning: but in the end, this government broke all world records in the number and the range of its laws. But it did not enforce these laws and America never rebelled. It is doubtful if Americans would have rebelled in the first place against King George's tax on tea. What they rebelled against was some effort to collect it.

But, to go back to the early days, it was not the Constitution but an economic condition which started the young country upon the course which eventually amazed the world. It was the fact that land and raw materials were so plentiful here and labor was so scarce. Labor was scarce, primarily, because land was so plentiful. If a man did not like his job, he could al-

ways look forward to quitting it and becoming an independent farmer; that is if he were a free man, not a slave.

Those who thought of manufacturing, then, were confronted by the fact that Americans generally did not have to work for others but might start farming for themselves. It seemed necessary to utilize all possible labor-saving machinery in order to pay sufficiently attractive wages. The greater efficiency of such machinery over hand labor would enable the manufacturer still to make a profit.

But hand labor, as a rule, produced a finer product. The machine, while it could produce more than the artisan could, was not so skilful. It did not know as much — not then. Not until generations of engineers and inventors had put their knowledge into it was the machine able to compete successfully with the hand-worker in quality production.

So the idea of the protective tariff was born. Americans were individualistic, true enough. They were opposed to government doing much governing. They believed that it was the proper

function of government to keep its hands off things generally and to let nature take its course. But it was a condition, not a theory, which confronted this new industrial class. If there were only a sufficiently high tariff, they could find a market, right here at home, for these machine-made goods.

Not all America consented to such tactics. The protective tariff was the device of industrial America — particularly of employers who had to pay high wages. In some States, there were many large employers who did not have to pay any wages at all. They owned slaves.

When the cotton gin was invented, and cotton suddenly became King of American products, slavery began to pay handsomely. The cotton interests had their eyes on the foreign market for raw cotton. They were not interested in manufacturing finished products, and they wanted to buy whatever they had to buy at as low a price as possible. The South therefore was bitterly opposed to the protective tariff.

The two systems inevitably clashed in the Civil War. That is not the way the school his-

tories tell the story, but that is what happened. Industrialism, not John Brown's body, won out. It spread East and West and North. Many years later, after politics had utterly failed to re-unite the Nation, industrialism spread South too and the war was really over. Then, not so strangely as it may seem, the South began to look with favor upon the protective tariff.

Immediately after the Civil War, in accordance with the demands of the new industrialism, the great transcontinental railroads were built. Everywhere along these routes, settlements became villages, villages became cities and cities took on a size and importance never dreamed of before. America soon led the world in the value of her manufactured products.

Strange to say, as the railroads waxed great and our manufacturing increased, American shipping waned. There was a reason for this. America was not dominantly interested in foreign trade: her home trade paid better.

Those high American wages were having an effect. American workers could buy ever so much more than European and Asiatic workers

could. Also, due to the introduction of labor-saving methods in this country, they could produce so much more, per man, that it was possible to keep them on a high wage level.

We were willing to sell abroad anything which we had in such abundance that it would pay the folks abroad to come and take it from us. Ores, for instance, and raw materials, and cotton and wheat. But American factories, as a rule, were busy making things for American buyers because of their greater purchasing power.

Just what part the protective tariff had to do with this prosperity is still a debatable question. One great contributing factor, in fact, was the *absence* of tariffs. There was free trade in America — clear from Maine to California. Manufacturers could ship their products 3,000 miles across the continent assured that they would never once be subject to political duties or delayed by customs officers.

America, we all got to thinking, was a world unto itself. It was free from all entanglements with Europe. What was going on over there

concerned us so little that the newspapers did not try to keep track of it. Our main interest in European matters was to see that our ambassadors should symbolize our rugged democracy and not wear knee breeches at royal receptions.

In 1898, to be sure, we seemed to be jarred just a bit from this splendid isolation. We were told all at once of a " White Man's Burden," but just what it was we had to carry, and why, was a bit hazy.

We were also told of the terrible tyranny of Spain in Cuba, and that made our American blood boil. So we set about to free Cuba: and in the process of freeing her, we took possession of the Philippines and put down a great rebellion of the natives against our authority. This was all rather new and disturbing: but we were very sure, most of us, that it was just the " White Man's Burden " and did not have anything to do with trade.

America, however, in spite of this little sally, did not go in extensively for imperialism. In this case, certain groups who were specially interested in Cuban and in Far Eastern trade

had been able, by well-aimed propaganda, to induce our government with public consent to act very much like England. But we were not like England. Our great market was at home and, although no one could fully foresee it at the time, we were yet to build up a home market many times greater than was thought possible.

When we built the Panama Canal, we did become imperialistic as far as the Canal Zone is concerned. But we did not in general follow in the course of the great imperialistic powers. There was a reason. We did not have to. There was no economic necessity for our doing so.

America was growing with unbelievable rapidity. American prosperity, too, kept pace with its growth: but all the cities, for some reason or other, seemed to be developing slum sections. From the seventies on, in fact, while there was increasing prosperity, there still seemed to be increasing poverty.

There was poverty of a sort in the early days, but not this kind of poverty. In those days, people were poor because of the desperate fight they had to clear the land and make it yield

a living. They suffered great privations, but they suffered hopefully. They were poor because they could produce so little: when they got so that they could produce much, they had much.

But now, from time to time, in all the industrial sections of America, great masses of people got out of work. They got out of work because the factories which had employed them had shut down. The factories had shut down because of over-production. They were poor, apparently, because they had created too much wealth.

The panics that resulted, however, were usually short. After a year or so, things would get to going again and industry would work out gradually to a still greater height of prosperity — and fall off from that.

But that was not the worst of it. There were an increasing number of people, apparently, who never became prosperous. The usual explanation given was that they were " foreigners who were content to live in squalor."

There were swarms of foreigners coming in every year, and American manufacturers were

not averse to their coming. These manufacturers believed in the protective tariff, and argued that it kept wages up. But they also believed in putting foreigners themselves on the free list, although this would have a tendency to bring wages down. But that was not the reason they gave for favoring this wholesale immigration. They said it was because America was ordained by Providence to become the asylum of the oppressed throughout the world. Doubtless they believed it.

At any rate, the foreigners came: first the Germans, then the Irish, and after them the people from Southern and Eastern Europe, and each racial group competed with each preceding racial group for jobs, those putting up with the lowest standard of living having the best chance, other things being equal, of finding work. If they could not qualify for the jobs, it was handy to have them standing around anyway, in case those holding the jobs might ask for still higher pay.

Strikes became the order of the day. Then labor unions. Many people supposed that the

unions invented strikes, but the strikes actually invented the unions. Then the unions tried to get together. There were the Knights of Labor and later the A. F. of L. Meanwhile, in each recurring panic, thousands of idle men would roam the streets and listen to Socialist soapboxers, and there would be a simultaneous increase in the Socialist vote and a startling increase in crime. The most the old-time American could make out of this was that Socialists must be criminals.

In the frontier days, it was never like this. If a man had any difficulty with his employer in those days, he went West. He took up land. But now the frontiers were gone. Socialists argued that the opportunities were all gone too, but this did not happen to be true. For new industries were constantly springing up and producing new wealth at an even faster pace than newly discovered land could have produced it.

It must be remembered that most people still believed that business was a game of grab: and business opportunity meant a chance to grab some existing wealth. Land, they supposed, was

wealth: and if there was a chance to grab any land in existence, it was good business to do so. Land, of course, is not wealth: wealth merely flows from its cultivation or development.

But people did not understand this. Even the business man thought of business in terms of getting some of the money which, in the event he did not get it, would be spent elsewhere. He did not know, for instance, that in setting up a factory and manufacturing bicycles, he not only was creating new wealth but making it necessary to bring new money into existence with which to purchase it.

A good many business men in the nineties thought that money could be issued arbitrarily by the government, and that the government's calling it money would make it so. The majority perceived this heresy, or followed those who did perceive it: but few understood that wealth is simply a term for the things that people want, that these things are all created and distributed by human labor, and that if this labor is so organized that all the people succeed in getting all they want, that is maximum prosperity.

They did not know this, but they acted upon it. They built their bicycle factories, not because people wanted bicycles, nor because they thought that bicycles were better for them than something else, but because they wanted the money. Nevertheless, the factories were built and that was a social act although they manufactured mere luxuries, and it was supposed that spending money for luxury tended to impoverish society. It did not work out that way. For the more new things there were to buy, the more money the people had with which to buy them. This had never been true before the machine era, and it seemed incomprehensible.

Not until the bicycle evolved into the automobile was this principle of prosperity discovered. That people could not eat their cake and have it too was accepted as an axiom: but fortunately, the majority of Americans were rather more alive than logical and, tempted by advertising and salesmanship and the desire to " keep up with the Joneses," they spent their money much more freely than was considered wise.

And because they ate their cake, they did

have it. Because they bought the things which increased productivity made possible, they translated this increased productivity into increased and ever-increasing production. The more things they made and consumed, the more they could consume. When they stopped buying, however, business fell off, factories shut down, masses were thrown out of work, the purchasing power of the country shrank and there was a general panic which everybody said was due to "over-production."

Strange to say, however, America did not approach the problem from this angle. Americans generally were not interested in national prosperity. Americans were interested in their individual prosperity. We were fast becoming a machine civilization, but we did not think in terms of the machine. We thought in terms of the school text-books: and the school text-books had nothing whatever to say as to the nature and make-up of the strange, new world which we were entering.

They had much to say, on the other hand, about America meaning opportunity: and they

stressed with every possible emphasis that all men are created equal and that, under the Star-Spangled Banner, this God-given equality is recognized. This did not mean, to be sure, that all Americans would or should have an equal amount of money: But it did mean, in the mind of the average American, that each should have an equal chance to get ahead of all the others.

And the facts belied this teaching. Great combinations of capital were forming; and against these great combinations, the individual American seemed to have no chance at all. Something had to be done about it: and with characteristic zeal, Americans rose almost as one man, shouldered their trusty American traditions and went out to over-throw the facts.

For the past twenty years, there has been no end of agitation in business circles for the undoing of certain things which America did then. Particularly has this agitation centered about some reform of the Sherman Law. But the agitation has been unsuccessful, for very understandable reasons, for the agitators have not understood either the intent of these laws or the

peculiar psychology which brought them into existence. Our next chapter will consider the origin of the anti-trust laws and the solemn comedy which followed when the United States Supreme Court began to feel its way toward some theory of enforcement.

CHAPTER THREE

From the Sherman Law to the World War

In the previous chapter it was stated that Americans were not interested in National prosperity. This does not mean that they were opposed to it, nor that they would not readily have voted for any policy which they believed would bring it about, providing such a policy did not conflict with some more cherished ideal.

But Americans, in the Eighties and Nineties, were still ruggedly individualistic. Independence was still the supreme ideal. Although beginning to live in a machine age, the concept of inter-dependence had not yet come to them. To be one's own boss, to be able, as America's contemporary humorist expressed it, "to look every man straight in the eye and tell him to go to hell," this was the American ideal.

The Typical American, like the early settler, was still undaunted by hardship. If the hardships did not compel him to go to others for relief, he could stand them gamely. He might and did work in a factory, but he did not intend to keep on working for somebody else if he could help it. Some day, he always hoped, he would have saved up enough money to start in a little business of his own: and anything which menaced that hope aroused his rage.

The Sherman Law cannot be understood unless this is kept in mind. To be sure, Americans said that "Competition is the life of trade." But there was nothing in their education or traditions to make them supremely interested in the life of trade. It was their own life which interested them: and while they wished others well, and could see more or less vaguely that they could not live unless they let live, they could not see why everybody could not be independent.

Independence required a certain amount of money, but not necessarily much. It was fashionable, in the America of these days, to scorn

luxury. The fastidious dresser was contemptuously called a "dude." Thrift was considered a virtue and extravagance a sin: for if one spent his substance in riotous living, it was universally supposed, there would come a time when it would be all gone and he would be "on the town." To be "on the town," especially to be buried by the town, was the ghastliest specter in every true American mind.

This was the American point of view. It was not necessarily the American way of living. When people get into a new world, they gradually take on the way of that world, and America was getting into a machine civilization. The result was that people brought up on Poor Richard's Almanac became rather prodigal. The dudes won out. Everybody began to spend more money on dress and other luxuries, if he had it, and business was so stimulated that there was soon still more money to spend.

But the idea of independence died hard.

There was Standard Oil, for instance. It was the most successful of the oil companies and was reaching out to become a monopoly if pos-

sible. Often it offered seemingly good prices to competitors, if they would sell out.

But did the competitors always sell out because it seemed to their economic advantage to do so? They did not. Independence, in many instances, was more precious than wealth. To step down from being a proprietor to become a mere employee of Standard Oil, even though there seemed to be more money in the move, was a hard pill to swallow. Men very often said they would fight first: and they did fight, until Standard Oil utterly wiped them out.

Such things enraged America. Standard Oil might prove that its system was more economical all around, that it would in the end result in better oil for the people, and at lower prices than under the old and wasteful competition. But even if it could prove that, it could not pacify the average American. For what was becoming of Opportunity? What was becoming of the universal hope of Americans to have a little business of their own and not to be beholden to anybody?

It was not merely Standard Oil which was

destroying this American ideal. Combinations of capital seemed to be absorbing all kinds of businesses. They were called "Trusts," and feeling against the Trusts ran high: not at all because competition was believed to be the life of trade, but because this new phase of competition was wiping the "independent" trader out of existence.

That phrase about competition being the life of trade, in fact, did not originate in America. It came from Europe. It was the invention of the "laissez faire" school of economists, who really believed that business ought to be let alone and not subjected to governmental restrictions. The most efficient business methods will thus prevail in the end, they said: but here in America, it was the large corporation which was prevailing by its very efficiency and which aroused the populace to demand action.

The protest against business in Europe had always taken some more or less socialistic turn — the advocacy of some law or government action which would keep business from competing too strenuously. It might be a proposal for a mini-

mum wage, or for a maximum price, fixed by law, so that business men could not take full advantage of the economic situation to make all the money which they could.

In America, it took the form of the Sherman Law, passed in 1890, which definitely prohibited all combinations in restraint of trade. The aim was to make "free" competition compulsory. This was "laissez faire" with a reverse twist.

Congress did not originate the law. It did not want to pass it. It had to. America was in a rage against the "Trusts": and when America gets in a rage, laws must be passed immediately. Nothing less than that will do. And in this case, the rage was so great that it was necessary to try to enforce the law too.

It was not merely a national law either. State Legislature after State Legislature passed its own peculiar version of the Sherman Law.

No one knew how to enforce these laws, but enforcement was necessary. The result was that the law struck here and there without plan or purpose. No constructive aim guided its applica-

tions. Like a bull in the arena, it charged madly ahead at anything which momentarily attracted notice. Its wild plunges usually missed the mark, but an occasional unsuspecting victim was mauled and crippled.

Possibly because John D. Rockefeller was such a master industrialist and because oil was so much in the public mind did the oil business become a favorite target.

In a former chapter of this book some reference was made to the chaos which resulted here: but no one who has not followed the oil industry closely can form any concept of the havoc which was wrought. Demonstrably, the waste ran into billions, but there were still greater wastes which could not be calculated.

Many of America's greatest oil fields were discovered after the enactment of the Sherman Law: but because no co-ordination was possible in the development of these fields each new discovery, instead of enriching America as it might have done, was accompanied by a great public calamity which, while the resources it destroyed were resources of which we were not previously

aware, may be compared to such catastrophes as the San Francisco fire and the Florida hurricane.

In Burkburnett, Texas, for instance, oil was brought to the surface by the millions of barrels, only to be allowed to run to waste on the ground or turned into the Red River to flow to the sea. Nobody wanted this to happen: and yet everybody concerned knew it would happen and, because they had to be competitors, could find no way to keep it from happening.

All were warned by the big pipe-line companies that if production were not regulated more oil would surely be brought to the surface than could be stored or transported. But under the system of compulsory competition, production could not be regulated. Oil is migratory and flows to him who taps the sands. The problem, then, was not one of getting the most oil possible from a particular pool, by the most economical method, but of getting as much oil as one could before the other fellow, whose pipe reached into the same pool, could get it.

If one struck gas, instead of oil, the same principle held. The gas might not be marketable

at the moment: but unless one brought it up immediately, somebody else would: so it was nothing extraordinary to let a gas well run wild for months at a time. Hundreds of millions of dollars were lost to America in this way every year: but this direct loss constitutes only a slight fraction of the loss in oil which occurred indirectly as a result of this gas wastage.

It is gas pressure which carries the oil to the surface. If this gas pressure can be regulated, a good well may flow indefinitely without having to install a pump. But regulating the gas pressure would keep the oil from flowing so rapidly: and when there were a dozen competitors dipping into the same pool, each with ten times as many wells as there should have been, everything was sacrificed to the necessity of getting all that each could get at once. The usual result was that the wells did not yield oil under natural pressure very long. Then expensive pumps had to be installed: and sooner or later, usually sooner, production ceased.

But this did not mean that the oil had been exhausted. It meant simply that the gas pressure

had been exhausted so that no known method of pumping could extract more oil from the sands. It is conservatively estimated that between 80 and 90 per cent of the petroleum in the average pool remained underground and was forever lost beyond recovery, largely because of this reckless waste of gas.

Many oil companies, as gullible stockholders had reason to know, did not strike either oil or gas. Sometimes they struck nothing but water, and the wells were abandoned. This constituted another incalculable waste: for the released water in unproductive wells frequently over-ran the oil sands and unfitted them for further exploitation.

It would require industrial statesmanship of the first order, combined with all the help an understanding government could give, to bring order out of such competitive chaos. But in America, the law favored chaos. Even the Federal Oil Conservation board, created by President Coolidge a generation after the Sherman Law was enacted, while it was able to render some assistance, had to recognize this handicap. Chairman Work, Secretary of the Interior, significantly noted, in

reply to an S. O. S. call from the oil industry when the Seminole pool was gushing so alarmingly, "There are certain Federal statutes which, of course, govern, as well as the police laws of the several states and other local acts and regulations which cannot with impunity be brushed aside, even in an emergency." He further spoke of the need of appropriate legislation to remove "the uncertainty whether substituting co-operation for competition runs counter to Federal and State laws."

But oil production represents but one department of American industry in which the anti-trust laws wrought havoc. It would be possible to tell a similar sad tale of the coal industry, in which the introduction of better methods, instead of making the industry more profitable and giving coal consumers more efficient service, resulted in paralyzing the industry and bringing on periodical coal famines.

Production, under the existing laws, could not be related to consumption. That could happen only if there were a monopoly or some general agreement to restrain trade, and both were

illegal. The result was that twice as many mines were operated as there was any need for, and twice as many miners employed.

But not steadily employed. Unemployment, in fact, was the rule, rather than the exception, in the coal fields. The miners sought to correct the situation by striking for higher wages but the industry was so disorganized that, whether wages went up or down, the situation grew worse and worse.

While all this was happening, it might be supposed that capital generally was discouraged. But that was not the case. The Sherman Law struck here and there but it could not sweep back the economic tide. Greater and greater "trusts" appeared. From the passage of the Sherman Act to the end of the century, approximately 150 combinations, capitalized at more than $3,000,000,000 were formed: but during this time only eighteen suits under the anti-trust laws were prosecuted.

No one knew, in the first place, what the Sherman Law meant: and in addition to that, no one knew what these "trusts" were. They

were something new in human history, a new phase of human evolution; and although new conditions call for new laws, laws must be manufactured out of past experience.

There was nothing in American history by which the social significance of this new phenomenon could be appraised, and even the Supreme Court of the period can be forgiven for not knowing much about it. The Court was steeped in law: but it was not, and it was not supposed to be, steeped in economics. Yet here it was, compelled to act not only as the Supreme Economic Tribunal of the land, but to interpret events which the greatest economists of the time did not and could not understand.

It was as though a group of children, shocked by the observation that some of their number were growing up, were solemnly to pass a law against adolescence. Youngsters do many foolish things in adolescence: but which actions are foolish and which are merely inevitable under the circumstances, those who have not passed through adolescence are in no position to know. Besides that, we must remember, it was not the

foolishness but the phenomenon itself against which the law was aimed.

We must bear this in mind when we study the Supreme Court decisions of this period. The law, was passed in response to inflamed public opinion. Senator Sherman, himself, admitted that it was intentionally made general and vague, in order that the courts might interpret the act as seemed fitting and necessary to them, and the courts were naturally reluctant to rush into this uncharted field. Consequently, after a few decisions had been handed down, the law seemed even more vague than before.

President Harrison, moreover, felt that he had done his full duty by the public when he signed the law, and he never mentioned it again in his state papers. President Cleveland felt that the problems involved might better be left to the state than to Federal action. In 1896, however, he forcefully pointed out the inefficiency of the act and declared that it did not accomplish its purpose. At the same time, he defended the court decisions, agreeing with his Attorney General, Richard Olney, that since every ownership

of property is a monopoly and every partnership a "restraint of trade," the courts could not help construing the act with little uniformity and less effect.

By 1899, the law had aroused such general dissatisfaction that President McKinley demanded additional anti-trust legislation and favored a Constitutional Amendment on the subject. Fortunately, the proposal was rejected for one can imagine the predicament which American industry would be in today if such a precedent had once been set. It is interesting to note, however, that the proposed Amendment contained the first official recognition that it might be better to regulate business than to smash it into its component parts.

The proposal was made because of the confusion resulting from a Supreme Court decision in 1895. This was the Knight case, in which the American Sugar Refining Company, which already possessed about 65 per cent of the country's refining plants, was prosecuted for purchasing four companies controlling nearly all the rest. The case was dismissed by the Supreme

Court upon the remarkable theory, conveniently forgotten later, that commerce succeeds to manufacture and is not a part of it except incidentally and secondarily.

In the Sherman Act, said the court, Congress did not attempt "to assert the power to deal with monopoly directly as such. . . . What the law struck at was combinations, contracts and conspiracies to monopolize trade and commerce among the several states or with foreign nations; but the acts of the defendants related exclusively to the acquisition of the Philadelphia refineries and the business of sugar refining in Pennsylvania, and bore no direct relation to the commerce between the States or with foreign nations . . . there was nothing in the proofs to indicate any intention to put a restraint upon trade and commerce, and the fact, as we have seen, that trade and commerce might be indirectly affected was not enough to entitle complainants to a decree."

On the surface it would seem that such a decision would dispose of the Sherman Law: for combinations were quite as willing that restraint

of trade should happen as an " indirect " result of their combining as that it should be the direct goal. The idea from their standpoint was to have it happen — whether as a main line or a by-product.

But the decision did not kill the law. For the great American public, on the other hand, was out for individual independence, and it felt quite as outraged when this independence was just incidentally crushed as if the crushing were acknowledged and deliberate. A great clamor, therefore, arose throughout the land, and ambitious prosecuting attorneys heard it, and there was a new era of " trust-busting."

It began with the trans-Missouri case, in 1897, in which the Supreme Court declared the illegality of *all* restraints of trade, whether reasonable or unreasonable. Incidentally, this decision put a presumption of illegality upon all trade associations, previously presumed to be legal; and it was a decision under which these bodies, whose object has been to eliminate disorder from American economic life, have ever since been compelled to carry on a most precarious existence.

In the Addyston pipe case, in 1898, the court ordered the combination dissolved for the reason that its size indicated an attempt to monopolize trade. In spite of the fact that the combination had reduced prices, its tendency the Court said, " was to give the defendants the power to charge unreasonable prices had they chosen to do so."

In Roosevelt's first administration, the famous Northern Securities decision compelled the dissolution of the combination which James J. Hill had effected between the Great Northern and the Northern Pacific Railways.

Ironically enough, when the Transportation Act of 1920 was enacted, America was demanding that the railroads co-ordinate their line for public service, and although the Sherman Law was still in force, the union of these two systems was one of the first reforms scheduled.

Although forty-four anti-trust suits were instituted between 1901 and 1909, President Roosevelt himself began to veer toward a more constructive policy. He instituted the Bureau of Corporations, in the new Department of Labor and Commerce, as a fact-finding body, and became a champion of full and free publicity in all

corporation matters. That " combinations of capital should be regulated and not destroyed " and that " we draw the line against misconduct, not against wealth " was the way Attorney General Knox interpreted the new policy.

In his message to Congress in 1905 Roosevelt advocated the " rule of reason " toward the ever-growing business combinations. " It is generally useless," he said, " to prohibit all restraints on competition, whether this restraint be reasonable or unreasonable; and where it is not useless, it is generally hurtful."

This was nearly six years before the Supreme Court reached the same point of view. In order to do so it had to reverse its attitude in the Northern Securities case, for in this case, Justice Brewer had presented a separate but concurring opinion holding that the anti-trust act applied only to such restraints of trade as were plainly " unreasonable," but the Court sided with Justice Harlan who held that the Sherman Act prohibited any and all restraints, and that a combination that did so ran afoul of the law.

In the American Tobacco and Standard Oil cases, in 1911, the " rule of reason " was adopted by the Supreme Court, Justice Harlan this time vigorously protesting and holding still to the opinion which he had written six years before and in which the Court had concurred.

This was a rude shock to the people of the country because the Supreme Court had again taken a different position in interpreting the Sherman Law. Even though the Supreme Court is the Supreme authority of the land, it is not quite the supreme power. In these shifting opinions it was amply demonstrating that even it had to yield to the pressure of economic progress.

No decision, however, has been more widely misinterpreted. It is true that the Court thus ended its criss-cross wanderings of 21 years in search of a workable formula by which to apply an Act whose meaning was utterly unknown by the Congress which enacted it. Only its purpose was known. Its purpose was to placate public opinion. The American people hated something so violently that it seemed necessary to prohibit it: but just what it was they hated did not lend

itself very easily to legal definition. So Congress prohibited something and left it to the Supreme Court to discover what it had prohibited.

It did not prohibit combinations in restraint of trade, for combinations throughout all these years kept on happening. But it did prohibit some combinations and it annoyed hundreds of others, eventually bringing about the greatest merger movement in history. By the adoption of the rule of reason, the Court did not exactly make the law workable, but it did give it some practical interpretation.

The Supreme Court, in promulgating this very rule of reason, found the defendants — the Standard Oil Company and the American Tobacco Company guilty. Not, however, because they were monopolies nor because as monopolies they were unreasonably opposed to the public welfare; but because unreasonably restraining competition, they were doing so by unconscionable methods. Under this ruling, the Court made it plain, there must be a reasonable amount of competition left in the Oil and Tobacco industries — not reasonable from the standpoint of the

public interest, but reasonable from the standpoint of the intent of the Sherman Law.

In the very next year, however, the Rule of Reason received a severe jolt, when the same Court ordered the dissolution of the so-called "Bath Tub Trust," although admitting that the combination had produced "some good results." But good results were not the court's business. The good results had been merely to the industry and to the users of bathtubs. The results to competition were not good: and it was competition, for better or for worse, which the Court said, "the Sherman Act intended to protect."

The Union Pacific-Southern Pacific combination was similarly broken up in the same year, although it had effected many improvements and had not raised rates. But it had not improved competition. It failed to convince the Court, at least, that a reasonable amount of competition remained to satisfy the demands of the Sherman Law. In the Reading Railroad case, the Court held that the power of combination, "regardless of the use made of it, constitutes a menace to and an undue restraint upon Inter-

State Commerce within the meaning of the Anti-Trust Act." This again shook the confidence of business in the doctrine of the Rule of Reason.

There were eighty or more prosecutions under the anti-trust laws in the Taft administration, but there was no satisfaction in any quarter with the results. The laws were a constant annoyance to legitimate business, for no one could tell until after prolonged and expensive litigation, whether every detail in the consolidation process was legitimate or not. On the other hand, that did not stop consolidation. The process, against which the laws were originally aimed, went on more rapidly than ever.

President Taft was the first President to call attention to the fundamental economic aspects of the situation: that is, to the economies which consolidation might bring about and to the public's interest in these economies, particularly in the way in which they rendered lower prices possible to the consumer. It should be remembered, however, that he did this as President and as political leader of the Nation. Later he became Chief Justice of the Supreme Court: and in

that capacity, he could treat the law only as a law; and the fact that it might be contrary to the interests of consumers would be irrelevant.

For it was not as a body of consumers that the public clamored in the first place for a law which would curb the trusts. It was as a body of potential proprietors of independent business enterprises: and the Supreme Court seems generally to have remembered this. In the famous case of the United States Steel Corporation, in fact, which dragged on from 1911 to 1920, testimony that the corporation had not taken advantage of its favorable position and had charged three dollars more per ton for steel than it might have charged, thus permitting competitors to have a fair chance, seemed to have much to do with the eventual acquittal. This even though the Steel Corporation controlled 50 per cent of the steel business.

And all these years, from 1890 until the World War, while America was employing all her political machinery to preserve the old-time competition, the old-time competition faded out. Even the trusts which were dissolved kept on do-

ing business, as far as the public could see, as successfully as before, and it was just as hopeless as ever to compete with them.

But the public, instead of becoming more desperate, forgot. It lost interest in trust busting and went to the ball-game. People seemed to have more money to spend after the trusts had "crushed" them than they had before. The automobile had arrived, and people who were not rich were already indulging in this new fangled luxury.

The old American theories remained: and during political campaigns it was possible to work up considerable excitement over them. But elections, for some reason or other, seemed to be less and less important.

Getting the money now seemed to be the big idea: and people who found themselves now getting real money became rather disinterested in how others were getting theirs. It was not a period of moral awakening. Politics seemed to take its place once more as just a part of the universal game of grab. City governments especially became corrupt. Usually they were con-

trolled by " traction gangs " or by some other special interests before whom the " people " seemed to be powerless, but not particularly desperate. A great era of muckraking produced few tangible results.

There was a perceptible reaction in 1912. It was led by Roosevelt. It was against machine politics, against corruption and against evil generally. But it was not against wealth. Roosevelt had discovered that there were good and bad trusts and he was for the good ones. His five million followers did not agree with each other, but they *felt* something in common. So they sang " I will follow Roosevelt," and they stood at Armageddon and battled for the Lord. Just what Armageddon was, and just what the Lord wanted, might be vague: but there was something new and thrilling in life and they were feeling their way toward it.

Roosevelt was not elected, but he so split the Republican Party that Wilson, without a majority of either the electoral or the popular vote, became President. The Democrat Party was decidedly not the party of business. It was

against the protective tariff and under Bryan it had been committed to the rankest monetary heresy. But the Underwood tariff, adopted by the Democrats, retained the protective principle and a financial measure of the utmost importance to our business life was passed. This was the Federal Reserve Law.

American industry had expanded to a point which made our financial system totally inadequate. Money is a symbol of wealth and, where little wealth is produced, little money is needed: but where the productive capacity is multiplied as it had been multiplied in America, there must be much more money in circulation to keep this wealth flowing. The Federal Reserve system accomplished this by the simple process, not of expanding the currency but of making it possible for it to flow back and forth throughout the country according to where it happened to be needed most.

In other words, co-ordination was substituted for competition between dollars. Formerly when a dollar did the job it was hired to do, it stayed around in idleness, just as a local elec-

tric power plant usually remained idle three quarters of the time because there was only one quarter of the time, at most, when the people of that community needed light and power. But when the Banks were connected by the Federal Reserve, the dollars did their work and ran along: exactly as the power plants eventually did after they had become co-ordinated in our Nation-wide interconnecting systems.

Under the new system, new industries found capital more readily, prosperity increased, employment was more regular and, even though the country still seethed with labor conflicts, Wilson was re-elected in 1916 by a small but real majority.

This was not the reason, to be sure, which the voters gave for re-electing Wilson. The reason was that "he kept us out of war." For America was devoted to peace and prosperity. The majority saw no sense in the European struggle: and if we could not stop it, we could at least maintain our "splendid isolation." What Europe did was none of our business. William Jennings Bryan was our Secretary of State.

CHAPTER FOUR

The American Transformation

America underwent no political changes as a result of the war, but in no country on earth has the life of the average citizen changed more radically since the historic summer of 1914.

In Russia, there was a political earthquake. Not only was the Czar shaken from his throne, and the whole royal line actually exterminated, but the institution of private property was officially overthrown and a dictatorship of the proletariat established. Nevertheless, the Russian masses went their peasant way; and within a few years, the proletarian government was inviting capital to come into Russia and making concession after concession to private business.

This was as complete a political revolution as the world has ever known. All that a mere

change in authority could accomplish was accomplished. Labor was made honorable and idleness a crime; and a Red Army, fanatically devoted to Communism, proved to be in every way as efficient as military force has ever been.

But it could not establish Communism. It could not even establish a high standard of living for the working class. It could seize and hold the machinery of production, but it could not make that machinery run. Authority and force could see to it that the workers received the full product of their toil — beyond and above the cost, of course, of sustaining that authority and force — but they could not make this full product amount to very much. Within a few years, the Communist leaders themselves saw this. What was lacking, they said, was technique. If only they could develop *American* methods they said, the revolution might be won.

In America, meanwhile, there was no thought of a revolution. There was nothing but a revolution. The workers were living a life that workers never lived before. They were riding in automobiles. They were building

beautiful homes, with electric lights and hot and cold water and luxurious modern plumbing. They had all sorts of electric appliances in these homes, too; and even if there were no servants, there was little drudgery.

It did not seem to matter now whether they lived in the city or in remote hamlets. If they lived in the country, they motored frequently to the towns; and if they lived in the cities, they and their families, by the same luxurious method, spent their week-ends and their holidays in the great wide open spaces. In either case, they were likely to dress well. It was difficult often to tell a mill-worker from a bank president, and a restaurant waitress could easily pass for a society debutante. White collars lost their special significance. Daughters of the workers wore silk stockings and followed the styles in frocks and millinery quite as naturally and nonchalantly as did the young ladies of Park Avenue. The laborer listened to the opera or to Kreisler at home in his undershirt.

It was difficult, in fact, not to keep up to date. The moving pictures may have been some

what lacking at times in dramatic quality, but audiences were never left in doubt as to what the well-dressed woman wore. Nor as to the rules of polite society. Movie heroes might fall into totally unnecessary rages, but they never used the wrong fork.

Through the movies, also, it was possible to visualize world events; and as homes by the million were equipped with radio sets, a sense of contact with the outside world altered everybody's point of view. Provincialism was sloughed off. The old individualism all but disappeared. The events depicted might not be significant. They might consist of a royal pageant in some reactionary realm where royalty still survived; and the address over the radio might be a fervent plea for the old-time Americanism, the old-time morality, or the old-time religious creed. But the fact that these messages were coming in the way they came out-weighed their propaganda content. This was a new world. This was a world in which everybody could keep in touch with everything, in which there was no such thing as isolation any longer, even at the

North Pole, and in which everybody seemed to be mysteriously related to everybody else.

These were new times and everybody felt it. The passion for newness swept everything before it. A new generation of young folks even developed new and shocking moral standards with their new and shocking styles of dress. The latest music, the latest dance-step, the latest wise-cracks and the latest slang — the fact that they were the latest seemed to constitute full justification for them, according to the latest way of looking at things.

"Madness!" cried the moralists. "Materialism!" cried the ministers. But the tide swept on.

What had brought about all this change? It had come, apparently, in the wake of the war, but America's part in that war was not devastating to America, and yet she had changed in many ways more fundamentally than any European society had.

Germany had exiled her Kaiser and had become a Republic. She had passed through starvation and had eventually revived her in-

dustrial life, and she had developed a great Communist Party, so radical and revolutionary in its philosophy that even the Socialists were everywhere alarmed. But she had not developed a much different way of living. However much " Germany " prospered, her workers remained poor. They also remained a working *class,* and even if they looked up to other classes with bitterness now, they still looked up to them.

England had gone so far in its protest against the old order as, on one occasion, to establish a Labor Government. But there were no revolutionary changes in English life. The old standards, in the main, still held. The old respect for authority remained. No matter how hard the times, British laws were enforced and British customs were kept up as usual. The workers might declare their right to ride in automobiles but they did not ride in them. In America, the workers did not think of the automobile as a right; they thought of it as a necessity, if they were going to keep up with the times.

Italy may be cited as an extreme example of post-war change; but when these changes are

analyzed, they will be seen to be due in the main, to a not entirely successful attempt to " Americanize " Italy.

Doubtless it was the war which most clearly marked the change between the old order and the new in America; and the old order, if you will, and the new disorder. But the change cannot be explained in terms of war alone.

America did not " get rich out of the war." America got rich, to be sure, at the very time that the war was impoverishing Europe, and was able therefore to finance both the destruction and the reconstruction in the way she did. But the war was all outgo and no income. Since war creates nothing, it could have no other result; and there are many keen students of the situation who believe that the money which America loaned the Allies will not and cannot be returned.

At any rate, it has not been returned, and the hope that it may be is not the thing which now makes America rich. America is rich because, in addition to her great natural resources

and the vast augmentation of her industrial machinery, she had undergone a development in which the purchasing power of her people had been enormously increased.

What were the determining factors in that development? To answer that question, it is necessary to go back to the events recorded in the preceding chapter.

Was this development due to the Sherman Law? Obviously not. The Sherman Law, while it eventually permitted large combinations, worked as often to prevent the co-ordination of the industrial mechanism especially of the smaller units trying to effect harmony through their trade associations.

Was it due to the protective tariff? Those who believe that "Competition is the life of trade" will logically answer no; for the purpose of such a tariff is to eliminate competition. But when ancient theories collide with new economic situations, we must not look for too much logic, and the fact is that those who believed most devoutly that foreign competition would destroy us believed, quite as devoutly, that we would like-

wise be destroyed if we did not keep up a free-for-all fight among ourselves.

The writer is making no argument here against the protective tariff. It is his opinion that the tariff is a technical business problem which cannot be solved by town-meeting methods, any more than the problem of how to build a bridge could be subjected to popular vote. But it must be obvious, even to protectionists, that the tariff per se did not produce our new prosperity. The prosperity was most evident, in fact, in those industries which cared least for the tariff, and it was absent from the textile and other industries which were protected by the highest schedules.

Was our prosperity, perchance, due to our American form of government? Positively no. It is impossible to review the facts and reach any such conclusion. We may produce many things here more economically than they are produced in other countries, but government is not one of them. Our form of government, even though we hail it as the best form yet devised by man, must be recognized as very expensive.

There is a theory, to be sure, that our form of government is so protected by checks and balances that it cannot do any very silly things. Even if the people are wrought up to hysteria, and the House of Representatives bows to the storm, there is the sedate Senate to fall back upon. And even if the Senate should concur in some piece of legislative folly, the President holds the right, after mature deliberation, to veto it. And even if the President's veto be overridden, do we not still have the Supreme Court in its super-wisdom to see that nothing really harmful to the body politic shall result?

No, we do not. Some naive business men, even in Big Business, still imagine some such situation. But the fact is that the Supreme Court consists of nine eminent but decidedly human lawyers, who split five to four on crucial problems quite as easily as any nine less eminent lawyers would be likely to do. The man who selects them is also a very fallible person. He does not know, and he is in no position to know, how really wise they are, and is likely to select them because they are eminent.

If the law is one which they do not like, it binds them and their decisions just the same. The fact that it antagonizes prosperity is immaterial. The crucial question is one of whether the law is constitutional, and there is nothing in the constitution to forbid the passing of unwise laws.

There is another prevalent theory of American economic superiority which should not be overlooked; that is, that it resulted from our superior racial stock, particularly from the fact that this country was "Anglo-Saxon."

But there was no such fact. America was much more prosperous than England and the strictly English colonies, but not nearly so Anglo-Saxon. Her purest Anglo-Saxon communities, in fact, were the last to partake of this prosperity. These were the hill sections of the South.

No, none of these things gives us any key to American prosperity. American prosperity resulted, in the first place, from the fact that labor was hard to get, and the consequent fact that American manufacturers naturally turned their attention to the adoption of labor saving methods.

This prosperity took a great leap forward in

the decades immediately preceding the war as a natural culmination of this labor-saving tendency. Six distinct developments may be mentioned, but each was but a part of this labor-saving process and cannot be understood except in that connection. They were:

1. The development of the " Trusts."
2. The " Taylor system " and the new theory of industrial engineering.
3. The advent of the automobile and Henry Ford.
4. The rise of the electric power industry.
5. The abandonment of the ancient practice of thrift.
6. The expansion of credit particularly by the much questioned Installment Plan.

None of these things was brought about by law. The " trusts " developed, in fact, in spite of all that the law and public opinion could do to stop them. For they were more economical. They could produce more, with less cost in human labor, than hundreds of competitors, fighting each other at every turn, could possibly produce.

It was their intention, no doubt, thus to ob-

tain a monopoly which would enable them to charge high prices and mulct the consumer for all that the traffic would bear; but it is not intentions which concern us now. It is how the process actually worked out. These trusts employed labor-saving machinery. They were so convinced of its advantages, in fact, that they shocked European investigators by the nonchalant way in which they would scrap millions of dollars of obsolescent machinery in order to install the latest methods, with seemingly little thought of vested interests. But they did not understand the whole industrial principle involved. It remained for a simple engineer to explain that.

Engineers in those days were considered "mere technicians," much as we would speak of a person as a "mere politician" today. In those days, politics, not technique, seemed to be the important thing. Technique, of course, was necessary; but we looked for leadership, not to the man who learned by laboratory methods just how things happened to happen, but to the man whose *opinions* struck us as being brilliant.

Frederick Taylor, by laboratory methods,

discovered that labor was being wasted frightfully, even in plants where the very latest labor-saving machinery had been installed. He did not have any opinion on the matter. He just figured it out with a paper and pencil and a stop-watch.

He discovered, for one thing, that a machine, no matter how up-to-date it is, produces no wealth when it is not running; and the machines, even in the best-regulated industries, only ran a fraction of the time.

If they could be made to run all the time, he said, they could produce much more cheaply, and the product could be sold for much lower prices.

Employers of the day were not interested as they are now, in lower prices, except as a means of underselling their competitors. They did not know, yet, that it was to their advantage to make prices as low as possible anyway, so that a larger market would be reached. Taylor, Gantt and other masterminds of engineering perceived this clearly, but they were "mere technicians." Business men adopted their tactics, however, because they wanted to get the best of their competitors, or because other business men adopted them and

they were thus compelled to adopt them or go out of business.

But they adopted these new methods. That is the important thing — not what was on their minds when the step was taken. And because they adopted them, a new industrial era dawned. "Mass production" commenced.

The outstanding exponent of mass production was Henry Ford. Ford was a mechanic, not a business man, and the old traditions of business were meaningless to him. When Ford started his factory, the automobile business was in a bad way. The motor-car was still considered a toy for the rich, and it had become evident to the trade that there had been a great over-production. What was needed, according to the old formulas, was some general agreement to curtail production so that the machines which were produced could command a profitable price.

To be sure, such curtailment would mean that each machine would cost its manufacturer more; and to overcome the necessary raise in price, it would be necessary to put more expense into selling it, which would add another big item

to the eventual cost of the car. Nevertheless, that had been the prevailing theory of business up to this time; and if Ford had been trained in business, he might have followed it, and the world would never have heard of Henry Ford.

Ford wanted to make his business pay; but he could not see, being only a mechanic, why he should not make all the cars he could. His capital was limited; but by running all his machines all the time, and saving every possible waste motion on the part of every worker, he figured that he could make a good many.

And what should he sell the cars for? When he set his price, he forgot all about how limited the market was. He based the price, not even on the cost of making the first hundred cars, but on the figure that cars would cost if all the machinery were running all the time.

And with that price, his cars sold themselves, and orders piled up so fast that all the machinery *was* kept running. Here was a car which one did not have to be rich to buy. Nobody had ever thought before of making automobiles for the poor; but the poor so vastly out-numbered the

rich that Ford had actually tapped the richest possible market.

The automobile industry hated this interloper, but it loves him today. It loves him for doing the things for which it hated him then.

Ford was paying high wages, or wages which were considered high, about $2.50 a day for unskilled labor. Suddenly all America was astonished at an announcement from Detroit that he had voluntarily set a minimum wage of $5 a day for every worker in the plant. Ford, the mechanic, perceived a truth which had been utterly hidden from business men; he perceived that workers with a high purchasing power could buy more than others, and that it was the business of industry to see that this purchasing power was kept high. The public, of course, did not see this. The public heralded Ford as a saint. Business put him down as a muddled philanthropist, upsetting the wage-scale of the country for his own gratification, and Wall Street began to hold the bag for the Ford Motor Company to fall into it.

But it did not fall. The demand for Fords increased and the profits increased, as larger and

larger units of production made still better cars at still lower prices possible. And with the increase in Fords, came a demand for better roads; and with the better roads, came a demand, not only for more Fords, but for the higher-priced cars as well.

The automobile industry was not long in learning its lesson. It copied Ford's methods in many ways. It adopted the principle of large-scale production. It adopted his labor-saving devices and his labor-paying scheme. It also made the eight-hour day general in line with the Ford theory that the less the working time the greater the consuming period. One result was that the industry was almost free from strikes.

Men who get high wages can buy more than others, and men who work only eight hours demand more comforts and luxuries than do those who, when they quit work, are too tired for anything except sleep and dissipation. The automobile workers became especially good buyers. They not only bought motor-cars, but they bought so many other things that business all over the country picked up, and the prosperity which re-

sulted from this led to a still greater demand for cars.

The prosperity was not universal. People who tried to do business in the old way were at a disadvantage. Those who tried to keep wages down invited strikes and disaster; and those who clung to obsolescent plants, because their capital was tied up in them, were soon outdistanced.

Few, even among the progressive manufacturers, really understood what was going on. They still talked in terms of getting profits; nevertheless, those who forget profits in the exciting new game of giving all the service they could give were the ones who reaped the great rewards.

The electric power business was a most striking example. Light and traction gangs had heretofore gone after business in the only way that business understood. They had fought against each other for privileges and concessions which the politicians had it in their power to give. So they bribed mayors and aldermen and political bosses, or trained their own henchmen to go after

these offices and corrupted whole municipalities in the ensuing campaigns.

They made money, it is true. They piled up some fortunes which looked big at the time, but they did not begin to make the profits which later came to them after they discovered the new road of service.

This was not a religious conversion. It was a revelation of science. Better methods of generating electric power were discovered and the dream of " superpower " came. Presently, in a hundred different localities, plans were on foot to generate, not all the power which was customarily in demand, but five, ten and fifteen times as much power as there was any market for.

How to sell this power was the problem. Obviously, it would be of no use to the power companies, unless they could get rid of it. Democracy had aimed to get authority into the hands of the people, but these " greedy " power interests, whose outstanding social achievement to date had been the corruption of democracy, now set out with enlightened selfishness to get real power into everybody's hands.

Their success was amazing, for they overlooked no opportunity. They scoured the country, both in the factories and in the home, to locate items of drudgery from which people might be liberated by the use of electric power, and they set experts on the problem of devising appliances to effect this liberation.

So the Electric Age dawned; the first time in human history the average man became a great slave-owner. His slaves were not flesh and blood. They were Kilowatt Hours. But they worked mightily for their masters and endowed them with leisure and luxury which the old aristocrats never knew.

America slipped into the new age, of course, without knowing that it was a new age. Like Columbus, we supposed that we had discovered a new passage toward an old ideal. We still did our thinking, particularly our social thinking, in terms of a society in which we had ceased to live. But we acted, more and more, in terms of the new order.

For instance, we became extravagant. We believed that we ought to save our money in order

that we might some day be independent. But actually we had become interdependent, and we spent our money, as was supposed, unwisely; and thus kept up the general prosperity without which there could have been no prosperity for anyone.

Incidentally, because we quit the practice of saving we soon had much more surplus money than ever before, and savings banks deposits began to mount perceptibly. At the outbreak of the World War, America was in the unique position of being the richest country on earth, not only with a greater manufacturing capacity than any other but with more surplus money, largely because the American people had not tried to be frugal.

Buying power, however, did not keep pace with the increased producing power. That could hardly be expected, because, in the very nature of our economic system, expansion in one part of the system, whether it be in the producing capacity or in the distribution facilities, demands a corresponding expansion in the other parts. Because there had been such an increase in produc-

tion, it was necessary that there should be an increased buying power: and before any general adjustment could take place, the credit structure of the country had to be enlarged. The capitalist system of society in fact is properly called the credit system.

A sound expansion of credit was made possible by the provisions of the Federal Reserve Act, but there were other expansions which were not considered sound; the most notable of these, and the one destined later to play a conspicuous part in the drama of American prosperity, was the development of installment buying.

However, one thought about the matter in those days, there seemed at first to be no two opinions among impartial judges as to the economic practice of a working man running into debt. Such conduct was universally condemned; and yet the practice of installment buying could be seen in no other way. Not until the system became the target of concentrated attack in 1926 did it seem to dawn upon any large number of our students of business that the installment sys-

tem, instead of being a menace, was really one of the important props of American prosperity.

That business men, equipped with a sound idea and a good organization, were entitled to capitalization was everywhere recognized. People forgot, in fact, that it had not always been recognized. They forgot those early stages of industrialism, which were reviewed at the beginning of this story, when industrial ventures were considered to be unsound and only real estate holdings seemed to be an adequate security for loans. If anyone had suggested in those days what J. P. Morgan suggested even before the World War, that " character " is the real basis of credit, the idea could not have been comprehended at all.

Morgan was right, but in the patriarchal era one had to own land in order to possess patriarchal character. The wandering moralist or prophet, no matter to what extent he might engage the spiritual interest of the world, did not possess the right sort of character for credit and could not command financial interest. For the wealth came from land. The production of

wealth depended upon the possession of this land and the labor attached to it either in the communal family or the feudal estate. With the advent of industrialism, the factory and the business organization began to be recognized as equally fundamental wealth-producing units; and it was inevitable that they should gain the right in time to command capital — that is, the right to run into debt.

In the industrial order, the person or corporation who controlled this wealth producing equipment now possessed character. But Einstein had not yet been heard of, and " relativity " was an unknown word. " Character " was still supposed to be absolute. Today we know that " character " has meaning only in relation to the structure of society.

If one is constructively related to the existing social order, he can get credit, whether the academicians grant him the right to do so or not, and working men in this new industrial society were constructively related to it. Individually, to be sure, they might lose their jobs. There was no legal ownership of a job — no constitutional

right of a worker to get steady wages. Nevertheless, the machine *was* running. The workers were working, and, in the main, could be expected to go on working, and the credit which everybody believed they were entitled to just naturally came to them. It was not extended to them for any broad, economic purposes. It was extended to them because manufacturers, confronted with the problem of enormously increased production, were at their wits' ends as to how to dispose of the product. So they urged the "easy payment" plan. They lured the workers and their wives to buy houses and furniture, sewing machines and eventually even automobiles, regardless of the fact that the workers had no money on hand to pay for these "luxuries," and that everybody could see that they were "mortgaging their future" by consenting to any such deal.

It is fortunate for America, however, that they consented. If they had bought only what they could "afford" to buy, we would not have had the millions of home owners in well furnished homes, and we would not have had the automobile industry, of which America boasts today.

No figures were ever obtainable as to the exact extent of installment buying. Some estimates in 1927 set the figure at eight billions, a large part of which was for automobiles. At any rate, the figure was large enough to enable mass production, with its consequent economies, to continue.

If the workers had waited until they secured the cash to purchase automobiles, the automobile industry must have lagged. Millions who were kept to work because a market for automobiles had been discovered would have had no jobs. The installment system not only deferred unemployment, but the continued mass production which resulted made it possible for these millions eventually to pay for the things which they had purchased. The writer is not upholding the installment system as in any way ideal. But it came in answer to a genuine social need. And like most things which turned out to social advantage, it started because business needed it. Our magically increasing production necessitated a corresponding increase in consumption; and, so far as the installment system is concerned, though it

began as a make-shift, it did fill that need, and became of incalculable advantage to all America.

And it turned out that the installment buyers did not, as a general thing, "mortgage their future." The man who bought an automobile which he could not afford, *equipped himself with power* which often made it possible for him to double or treble his earnings. It is interesting to note that the bulk of the installment buying was the purchase of power and equipment. This power might, of course, be used in some anti-social way; but the tendency was to use it in doing the things which the whole world wanted done, and when things are being done which everybody wants done, that in itself constitutes prosperity.

The old theory, if strictly adhered to, would keep a married couple from buying and furnishing a house until they had saved sufficient money to pay for it. Theoretically, under the old thrift formula, it would be good economy meanwhile for them to raise their children out-doors, which would be mortgaging the future with a vengeance. But fortunately America has been much

wiser than her theories. For the first time in human history, a going social order had recognized in its action, even though the recognition had not consciously been formulated, that human beings who have the capacity to work are entitled to capitalization and credit. The business world, whether it knew what it was doing or not, was virtually going to the worker and saying: "You may be propertyless. You may have nothing which has ever before been recognized as security. You, in my eyes, are just a naked unit of human life. Nevertheless, I am utterly dependent upon you. It is necessary not only that I keep you working, but that I manage in some way to get to you the comforts and the luxuries of which you are the potential producer, and to get them to you now, although we have not yet corrected our economic formulas in such a way as to provide deliberately for your permanent and uninterrupted economic security." The business world has not yet really learned that the workers should be paid before they produce, in order that they may produce, but it has acted in advance of its understanding. This new credit

need surprise no one, for the whole wage system was virtually built upon it. It is customary even today, for the employers to say that they pay their workers according to what they produce. Nevertheless they do not. No large employer could possibly hold a working force together if he deferred pay-day until they had produced the wealth which they were hired to produce. The product upon which the worker is working may not be sold for many months, or even years ahead, and the employer can realize no profit upon it until it is sold. Nevertheless, he must pay his workers every Saturday, whether the wealth which they are producing is ever sold or not. Wages constitute the capitalization of labor, rather than, as we have always supposed, its remuneration; and it is the withholding of adequate capitalization in this quarter which has always been one of the most serious embarrassments to capital.

In the early days, when each man's labor was unrelated to the labor of others, very little could be produced; and if the babies were to be cared for and the race were to continue, it was necessary for each individual worker to save in-

dividually. Frugality in those days was not only a virtue, but one of the supreme virtues. In this new age, however, when each man's labor was related to the labor of millions of others, production was abundant; but abundant production would merely result in over-production and starvation unless the great volume of wealth produced were bought. In such days, then, that which appeared to be extravagance became a social virtue, and wasting human life in unnecessary labor or unnecessary deprivation became a crime.

But America did not know this. America had to live a number of years in the new order before its first principles could be discovered. Even the World War did not teach them. But the desperate necessity of war compelled America to act deliberately, for a time, in a way which was directly contrary to all American tradition.

CHAPTER FIVE

What the War Did to America

Americans generally believed in competition. During the war, they abolished competition.

Americans almost universally believed in production for profit. In 1918, they abolished production for profit and substituted production for use instead.

Americans almost uniformly believed in individualism. In 1918, they pulled individualism up by the roots and substituted the doctrine of "each for all and all for each."

Americans generally believed in government by opinion. In 1918, they substituted government by fact.

They did all this, however, only for the duration of the war. The reason they did it was that

all the theories they believed in had failed to work.

The new principles worked. Nevertheless, as soon as the war was over, the American people by a record majority decided to " get back to normalcy." For some reason or other, they have not done it yet — but that is getting ahead of the story.

War was declared in April, 1917. It had begun in Europe three years before, but America had determined to keep out of it and had re-elected President Wilson in 1916 because he kept us out of it. A few weeks after he was re-inaugurated, we were in.

But we did not do much fighting for a while. We raised an army of five million and we did it easily. Then we let out all sorts of war orders for equipment, for munitions, for ships, supplies and so forth. Sentiment, which had been so strongly against the war, was now almost unanimously for it. There was no lack of patriotism. The average American, in fact, who had been such a profound believer in individual rights, was suddenly transformed into a sort of

government agent and saw to it that everybody lifted his hat when the Flag went by, or stood up when the Star Spangled Banner was played.

But even this did not equip that army and get it to the front.

Factories everywhere were converted into munitions plants, or changed so that they could shift from their usual line to manufacture something else which was urgently needed by the government. But it was hard to get labor, with five million men taken suddenly out of industry, and it was equally hard to get raw materials and supplies.

Even if a factory ran without interruption, it was often difficult to get its product shipped. The Sherman Law had been applied vigorously to the railroads. They had been taught that it was a crime for them to co-ordinate their efforts and that, to be loyally American, they must fight every other railroad in every possible way. Under the laws, they could not get together to handle the Nation's shipping in an orderly manner, and there was no time to change the laws. The Government just had to take over the whole sys-

tem, although the government did not understand railroading and was utterly unprepared for the gigantic job.

Then began a period of feverish but futile activity throughout the nation. Every manufacturer competed with every other manufacturer, for materials, supplies, labor and transportation, so that he could deliver his goods to Uncle Sam, patriotically, regardless of cost. Wages went up. Prices went up. Everybody was busy. Nobody was getting anything done.

Congress did not know what to do. This was an industrial problem, and Congress had no industrial education. Congress had learned some good ways of " curbing " the corporations, and it was thoroughly competent to tell industry what it should not do. But to tell industry what it should do was another matter. In Congress it was suggested that the government take over all the factories too.

American Industry solved the problem. It had no authority to do so. It acted purely from necessity. It organized the War Industries Board. It secured a proclamation, to be sure,

from President Wilson, permitting such an organization: but the proclamation did not authorize the setting up of a complete new government in America.

Nevertheless, that is what the War Industries Board did. For nine months, during 1918, the War Industries Board *was* the government of America.

It was not an autocracy. But neither was it a democracy. It was not a government by opinion at all, either by the opinion of the " best minds " or by the opinion of the majority. Nevertheless, it was a government which everybody wanted, and one which was more responsive to the wants of the people than any government on earth had ever been before.

For America had become an industrial civilization and nothing but an industrial government could govern it. Political government of industry is not government at all. It is simply interference. It is not order. It is disorder.

There was no red tape in this industrial government. If facts conflicted with regulations, there was no attempt, such as political govern-

ments find necessary, to sweep the facts out of the way. The facts were simply admitted and the regulations ignored.

A law had been passed by Congress, for instance, compelling ordnance manufacturers contracting with the government to use eighty per cent of tin in all babbitt metal. But if this regulation had been followed, America could have delivered very few guns to General Pershing.

"Regulations are necessary," remarked Bernard M. Baruch, Chairman of the War Industries Board, "but they are not now quite as necessary as tin." So the Board discovered by actual inventory just how much tin there was in America, and consulted engineers instead of Congressional records to find out how much tin this babbitt metal would have to have. The answer was about one fourth of what the regulations called for — and Pershing got a lot of guns.

The problem before the War Industries Board was the greatest problem which any American government had ever had to solve. Five million men had been taken out of industry to prosecute a foreign war. The problem was, not

merely to keep the machinery going in their absence, but to produce so much, without the help of the five million, that the five million equipped with the highest-power spending apparatus yet invented, could not spend the product.

They had to be provided with guns which used up more wealth in a single day than a tourist would spend in a lifetime. Incidentally, also the burden of financing the allied armies fell heavily upon America.

America, under the War Industries Board, not only did all this, but did it without reducing the standard of living at home. That, perhaps, will go down in history as the supreme achievement of the war. Parenthetically it may be said that, after the war was over, America was in possession of three times the industrial equipment necessary to maintain pre-war prosperity. The importance of this situation will appear later.

This was brought about solely through co-ordination. The Board simply applied to America as a whole the principles which its members had been learning to apply to the factories and businesses which they had individually directed.

They discovered what the people wanted and they found out, by a careful inventory of every industry, what the total resources were and what capacity each industry possessed to fill this want. Then they eliminated waste and duplication. They introduced standardization where it would not interfere with the consumer's desire for variety, and they applied the principles of maximum production.

The iron bed trade, for instance, discovered that it was manufacturing 600 styles of iron beds, and it decided that 30 styles would meet the reasonable needs of all consumers. This was no hardship upon the housewife who set out to buy an iron bed. From her way of looking at it, she had as many styles to choose from as ever. But the iron bed industry, by this simplification, saved nearly a third of the iron which it had been putting into beds, releasing it for the manufacture of war supplies instead. Also by agreeing upon certain sizes of iron rods, they saved no end of time in the steel mills. To the ultimate consumer most of these changes were imperceptible, but to the job which America as a whole

had undertaken, they made a tremendous difference.

For every industry in the country was regulated on industrial principles so that it would give maximum service with the least possible expenditure of human effort; and the regulation was put into effect, not by a Congressional Committee whose ideals might be all right but whose knowledge of industry would necessarily be limited, nor by a military board to whom orders would be sacred whether the orders were understood or not, but by the leaders and builders and organizers of the industries themselves.

Industries which were not giving a needed service did not do very well. They were not, however, prohibited, but a system of "priority" was established, by which the concerns whose products were needed most were given preference in transportation, not only as to the things they were manufacturing but in the securing of materials and supplies.

There were a few things, therefore, which it was not easy to purchase during the war. The alcoholic content of beer was cut to 2.75 per cent

and, although there was almost no political enforcement of this decree, it was practically impossible, even in New York City, to buy beer with a greater kick.

If one wanted to travel on the railroad in his private car, instead of in an ordinary Pullman, he was also likely to meet with disappointment, but the average run of Americans did not mind this deprivation. It was also difficult to get valets and personal servants, but the masses survived that ordeal very well. There was an abundance of food and clothing and of many things which the great majority still looked upon as luxuries: and millions of Americans who had never had any spare money before now indulged themselves for the first time in their lives.

Almost anybody who wanted a job could have it. The fact that he or she was untrained and inexperienced was no bar. Labor became dignified. Every patriot wanted to do his bit, and every industry did what it could to develop everybody's talents. Millions of these new workers were bunglers, but the foremen were patient with them. There was no talk of eliminating the

unfit. The aim was to make everybody as fit as possible.

No, the industries were not all "efficient." Muddling along with workers who did not know how to work was an exasperating problem for many a superintendent. But *industry,* it turned out, was efficient, even though its individual units were not. For the industries did not get in each others' way. They had all combined in restraint of trade. They had eliminated considerable competitive friction and duplication and waste and were able thus to more than overcome the handicap which the newness and rawness of the workers now placed upon them.

Had competition been free, a few factories here and there could have done much better than they did. Those who secured the most efficient labor could easily have driven ahead of all the rest: and if they were clever enough in dickering with the railroads, they might secure priority in transportation, whether there was any prior need for their product or not.

If such a concern were manufacturing gas-meters, Pershing could have had plenty of gas-

meters but no guns. If they were manufacturing iron beds with three ornamental knobs on each post, housewives throughout the country, could have become well supplied with knobs. But as it was, production was related to consumer demand and, with the way open for everybody to go to work at real wages, consumption was financed so that business everywhere was good.

There were incongruous results, at times. At least, cultured ladies doing war work were often moved to mirth at the sight of some Negro scrub-woman suddenly blossoming out in a fifteen-dollar pair of French-heeled shoes. That scrub-women should have luxuries seemed to them preposterous. Luxuries, according to the theory of those who were used to them, should be strictly confined to those who had always had them. But American industry thought differently. It did not think it necessary to abolish French heels as non-essential. All that was necessary in the shoe industry was to eliminate the waste in the production and distribution of such a range of styles as the shoe industry believed would meet the public demand.

It was obvious, if America were to achieve anything in the war, that workers must be working instead of being constantly on strike for higher wages. This end was accomplished through the War Labor Board.

This Board was composed of representatives of workers and employers. It did not make strikes unlawful, but it devised a way of keeping workers at work while they were striking. It did this through promising to settle every dispute, not according to the ancient notions of arbitration which consisted usually of splitting the difference between the demands of the warring parties, but upon a basis of living wage, a living wage being defined as a wage sufficient to keep a family of five in reasonable health and comfort.

Employers were fairly dazed at first by the working out of this principle. In one of the first contests, Hon. William H. Taft, who had been chosen by the employers as one of the joint chairmen of the Board, decided that certain street-car employees should get several cents an hour more than they were striking for. Employers cried that such tactics would be their ruin.

But it was not their ruin: for workers with such buying power bought so well that business generally prospered. There was much criticism of this extravagance and "thrift campaigns" were launched. But the thrift campaigners were really not promoting thrift. They were simply exhorting the workers to lend their money to the government, so that the government might buy extravagantly or lend it in turn to some other government so that it might buy.

Through co-ordinating her machinery of production, and financing consumption, America was able to wage this war and come through, to all appearances, more prosperous than ever.

Did she learn her lesson? History will say she did, but she did not learn it immediately. She discovered that competition was of no use at all in war. In a great national emergency, she learned, there must be co-ordination. In such an emergency, she discovered, relatively inefficient units by working together can achieve much more than a number of very efficient units working against each other. Practically all that America did achieve, in fact, was achieved dur-

ing the nine months in which she had an industrial administration: and these achievements not only surprised the world but surprised America and surprised the very executives who organized the task.

But no one, unless it was a dreamer here and there, perceived that all this had any application to America in peace. The moment the Armistice was signed, the War Industries Board was dissolved, and there was no longer an industrial administration.

The thought in everybody's mind was to "get back to normalcy." The war was over and it was up to everybody now to get ahead of everybody else.

Germany, our greatest foreign competitor, was down and out; and that, we supposed, would give us a great advantage. The other nations, too, were in nearly as bad shape. Everybody would have to buy everything from America, and there was no limit apparently to the business we could do.

That people who are in bad shape cannot buy much did not, seemingly, occur to us. One

of our leading bank presidents, in fact, visited Europe at the time, and because he reported that there was no market there, unless Americans were prepared to extend long-term credits on a scale that they had not yet dreamed of doing, he became discredited throughout our business world and even lost his job with the bank.

Everybody believed that there would be a market for almost anything, and as long as everybody believed that, there was. But it was not a consumers' market. It was a speculator's market. People bought everything they could, not to use but to sell. There was no attempt to relate production to consumption, nor to the purchasing power of the ultimate consumer. On the theory that anyone who had anything to sell could sell it, merchants contracted with manufacturers everywhere to make them something — it did not matter much what it was.

There was, it must be admitted, a fairly large consumers' market in America too. For the labor unions made the most of the situation and demanded the highest wages they could get. All

in all, there was a condition which looked on the surface, very much like real prosperity.

But the bubble burst with the deflation of 1920. The deflation had to come: for wealth, after all, does not consist of piles of manufactured goods but of goods which people want to consume and have some chance of consuming. An individual may make money playing poker, but a human society cannot; not even if it uses overcoats and umbrellas and other very useful things as chips. In order that real wealth shall increase indefinitely, actual consumption must increase indefinitely, and expansion of credit to sellers without a corresponding expansion of credit to consumers cannot go on forever.

American industry did not collapse completely. Real business, especially those modern corporations which had come to grasp the service principle, came through fairly well. To thousands of over-night millionaires, however, and to millions of workers, the situation was tragic.

Business men who did not understand business blamed the labor unions for their plight, but real business men knew better. One could hear

agitation everywhere for a general war on labor. "Now is the time," it was often remarked, "to bring them (the workers) to their knees."

Real business men had learned better. They had learned for one thing, that workers cannot work well when they are on their knees, and that they cannot buy much when they have no money. So the agitation ended where it began: and 1921 to 1926 was marked as a period in which real wages were generally raised from year to year while the actual cost of living fell.

These were years of marvellous prosperity. That they were years of serious social problems and culminated in the strange phenomenon of "profitless prosperity" is also true: but America had learned some great lessons from the war and was applying this new knowledge in many important ways.

America had learned, for instance, the economic secret of high wages. High wages had been a mere accident in the early days. Later they were looked upon as an incident to the protective tariff. Still later they had been maintained by the labor unions in a bitter class war.

After that, there was the industrial demonstration made by Henry Ford (who, by the way, never lost an opportunity to ridicule the protective tariff) and then there was the principle of the living wage adopted with such wonderful results by the only industrial administration the country had ever had.

The innermost thoughts of Big Business were now projected far beyond the idea of the living wage. Owen D. Young, who typified the new leadership of this period, startled the business world by his eloquent advocacy of the "cultural wage." It was no longer a matter of labor's right to live in such a way as to participate most effectively in the works of production but of labor's right to full participation in all the advantages which this new order could bring to all. Labor, as this new type of capitalist saw it, was no longer to be the servant of Capital but Capital was to be employed by Labor; since "labor" after all, is but another term for functioning human life.

America had also learned the service principle. The successful industries all recognized

by this time that the purpose of business is not profits, any more than the purpose of children is the gratification of the parental instincts. The purpose of business, it was now apparent, was the supplying of human wants: and the acknowledged business leaders were not profit-chasers at all, but men who had discovered some human need and were organizing all available resources to answer it with the least possible cost to human life.

America had also learned to relate production to consumption; and with the increasing prosperity from 1921 on, there was a constant decrease in speculation in commodities. It was a period of "hand-to-mouth" buying, but of larger scale buying than ever. Industries and businesses were learning to turn their products over quickly and to keep everything in constant flow.

America had also learned the value of standardization and simplification. The wild orgy of planless production in 1919 and the breakdown of 1920 were followed by the adoption, in industry after industry, of uniform standards,

not as to the finished product but in a thousand and one details of construction. Nails, screws, wood and metal parts, valves, connections, wires, pipe — all these things could be produced much more efficiently when standards were agreed upon, without in any way interfering with the consumer's desire for a distinct product.

There was a theory, advanced by many literary folk, that America was becoming standardized. With a Woolworth store in every village, with 15,000,000 Fords, all alike, to ride in, and fixed styles decreed for everybody by a little committee of clothing manufacturers, it was argued that Americans would soon all be turned out according to the same pattern; and if one wanted to see variety in human life, he would have to visit some country which had not yet succumbed to the rule of the machine.

But it was only a theory. As a matter of fact, there were more different kinds of people in America than any civilization had ever displayed before. Even children in the same family, even twins, went their separate ways. People began everywhere to indulge their special tastes.

Drab uniformity became unfashionable. Color, for the first time, came into American life. A new interest in art appeared. Architecture and interior decoration assumed a new importance in domestic and in business buildings. People acted this way in America, because they could. Due to the immense wealth which co-ordination and standardization made possible, people had money enough to express themselves. It was in the poverty-stricken countries that human life was standardized; where everybody lived much as everybody else lived, because everybody had to live on such a small income that there was only one practical way to spend it.

Yes, America had learned the lessons of the war. But she could not apply the new knowledge to the extent that it had been applied in war-time, for there was no industrial administration now. Competition between inefficient units of industry had been succeeded by competition between efficient units. Everybody of consequence in these new units knew the value of co-ordination. All knew how much more service they could give the public, if only complete co-

ordination were possible. They even knew how prosperity might be made permanent and how everybody might have a permanent share in it, how unemployment could practically be abolished and everybody permitted, not only to do his bit for this prosperity, but to get high wages while doing so.

But the war was over now, and this could not be done. It was illegal. The Sherman Law was again the law of the land. It was a crime to get together to restrain trade so that it could run in the direction that everybody wanted it to go.

They had to watch their step — big business institutes and trade associations alike. They had to go on co-ordinating, that was inevitable, but they had to do it in fear and trembling, lest the government get after them for violation of a law which Congress had passed forty years before, in answer to a public clamor which the public by this time had utterly forgotten.

Unfortunately, this amazing chapter of American history, still so clear in every business man's memory, does not appear as yet in any of our school text-books; and the young

college graduate, about to enter into business life, sees little relation between what he has learned in school and the things which he now must learn if he is to function adequately in the business world.

Even business men, although well aware that great changes have occurred in recent years, are likely to be quite unaware of the forces which have been operating to bring about the change. Frequently, therefore, they take up new ideas by compulsion rather than through understanding; and their failure to see the whole great social drama constantly operates to inhibit them in playing their respective roles.

Those with advanced ideas meet with opposition and protest, and become discouraged, while those of conservative disposition become alarmed. The difference in viewpoint is too often set down as personal, and utterly useless arguments ensue. What is needed is not argument, nor a change in temperament, but a simple knowledge of what has been happening.

There is a place for both radical and conservative thinking in business today, but the rad-

icals and conservatives should not be at war. They should and must be allies if America is to realize her potentialities; and they can be allies as soon as it is once perceived that business is not and cannot be a "system" but is an ever-flowing, ever-evolving expression of ever-changing human relationships, in which both past and future are continually mingling to form an ever-changing present.

CHAPTER SIX

The Strange New Prosperity

Nineteen Twenty Six was recognized as a year of peak prosperity. But it was not a boom year. Not only was there almost no speculation in commodities, but the efficiency per worker rose decidedly in all industrial lines, and the percentage of wage-workers to the total population decidedly decreased.

Such things never happened in boom periods. In boom periods, industries expand their organizations and employ many new and untrained workers, and while factories may increase their total production, production per man almost uniformly falls off. Also, there is sure to be much speculation in commodities, for prices rise in boom periods and there is a tendency everywhere to lay up great stores of raw mate-

rials and supplies against the day of still higher prices just ahead.

But now there was " hand-to-mouth " buying. Manufacturers everywhere had learned not to tie up their capital in needlessly large inventories. Business was running smoothly, it seemed. It was running so evenly in every line that one could be almost certain of getting supplies when they were needed: and, like a community which has a dependable water supply and therefore does not think of storing water in private cisterns, they bought things only as they needed them and used the capital so saved to extend and perfect their business organizations.

But everything was not exactly satisfactory. If you asked the average business man how business was, he would tell you that it was good. That would be a truthful answer too, but it would not be the whole truth. He might be doing several times the business which he had done in former years, and not be making any profit at all. Competition, he might tell you, " is unusually keen just now."

Of course competition was keen, for every-

body now had keener implements to fight with. And there was no hope whatever, as Mr. Business Man eventually found out, of competition becoming any duller. There was nothing to do but to provide himself with still keener implements of warfare, although his competitors, he knew, would provide themselves with these keener implements also, and competition would be worse than ever, unless he could merge, somehow, with his competitors, or make some sort of agreement with them through his trade association.

But agreements to restrain trade were illegal. As to whether a merger was illegal, one never knew. It might be and it might not. It depended upon how vigorously some aspiring Federal District Attorney might prosecute it, and how the Supreme Court, when it eventually got the case, might split five to four.

But mergers happened, and the successful ones made oceans of money. They did not raise prices, however. They made their money by eliminating friction. And while this was a clear gain to the consumer, it made things harder than

ever for the fellows who did not or could not merge.

The little business man, in the middle of this prosperity, was often desperate: the enterprising grocer or druggist, for instance, who had established himself in a small city and, through many years of honest and faithful service, had become one of the pillars of the community. This man now had to compete with the chain store, which could buy its supplies in million dollar lots and could demand cash for everything it sold.

The small town department store proprietor was not likely to be in much better position. The department store chain had not quite arrived, to put him out of business altogether, but the specialty chain and the ten-cent store, and the twenty-five-fifty-and-one-dollar chains, and added to that the great mail-order houses, with Sears Roebuck and Montgomery Ward catalogue in almost every home, were taking the best part of his business away. And they too were going in for chain store development.

The local telephone company and the local light and power company had long since become

things of the past. The local newspapers, even, were not likely to be local in their ownership now, and local factories were more and more becoming mere branches of some great national concern. The local banker suddenly discovered that he was almost out of a job, for everything was being financed from the big centers.

Business undoubtedly was good — except for the average business man. More wealth was being created throughout the country than ever before, and because the successful corporations had begun to understand the economic value of high wages, more was being distributed. The wage-earners spent this wealth carelessly, and the old timers got a share of it. So things generally were not exactly desperate. They were just disturbing.

But the average business man of this period had other things to think about which seemed more disturbing, sometimes, than his strictly business problems. After all, he was more than a business man. He was also a citizen; and no one could be a real American citizen in these days and not be worried by the problem of crime.

Never in anyone's memory had there been so much of it, and it was getting worse year by year. The police were falling down on their jobs. The courts were failing miserably. And whenever one looked into the matter closely, he soon learned that this was not so in other countries. It was a phenomenon somehow associated with enlightened America in a period of exceptional prosperity. And this even after one takes into consideration that a crime wave usually follows in the waves of a war.

But why not? If the analysts had put their figures together, they could have found an ample reason for this. But they had not put their figures together. Business analysts had studied business. Crime analysts had studied crime. Production analysts had studied production. Employment analysts had studied employment. But here, lumping them all together, are some of the things they had discovered.

Crime and unemployment have historically gone together. Throughout all industrial history, wide-spread unemployment has uniformly been accompanied by a great increase in bur-

glary, robbery and theft, which furnish the motive for a large majority of the murders and other crimes of violence.

And this period of peak prosperity was a period of wide-spread unemployment.

This unemployment was not recognized at first as unemployment. It was not until the winter of 1927 that the people were aware of an unemployment crisis, but at that time business throughout the country was still very good. The volume of business was so great, in fact, and the up-to-date corporations were making so much money that the stock-market, right in the midst of country-wide unemployment, was carrying on the greatest boom in history.

But the unemployment was wide-spread long before it was noticed. The reports of all the industries should have made this plain. Each reported a constantly increased production from 1921 to 1926 and a constantly increased production per man. Nevertheless, the proportion of industrial workers to the total population of America had fallen sharply.

Had you asked the average business man

about unemployment at the time, he would probably have told you that there was no involuntary unemployment but that it was getting so that a lot of people would not work. What he would mean by this, however, is that they would not work unless they could get the prevailing wages, which has always been more or less true, the unique factor in this situation being that the average business man, during this period of exceptional prosperity, could not pay prevailing wages.

For the average business man was doing a small and precarious business. The bulk of the business was being done by the big combinations, but the bulk of the business men were doing the little which was left over.

In the days before the war, an independent dealer might find it hard to buck the trust, but when it came to hiring men, he had no special disadvantage. The trust hired men in those days for as little as they would work for, which meant high wages when labor was scarce and a bare living when it was plentiful, unless, through his labor union, the employee might be able to force

up the price. But unions were seldom able to do this. They made their drives when business was good and were generally powerless when unemployment was rampant.

But the big modern business did not hire labor on that principle. It believed in a living wage and it perceived the business advantage of a high wage scale. Labor was no longer treated as a mere commodity by the great, nation-wide, industrial enterprises, but was paid as well as a great, nation-wide enterprise thought it possible to pay.

The natural result was that labor everywhere was strongly disinclined to work for less. In former days, when men saw their fellows working everywhere for a dollar a day, their natural conclusion was that that was all that one might hope to get. But when their kind of labor was receiving six or eight dollars a day, they said they would starve before they would consent to work for two or three.

And the desperate little business man could not pay the big corporation scale. No matter how he felt about it, he could not. Usually, how-

ever, his feelings were not generous. What was coming over the country, he wondered, when men would rather be idle than to do honest work, even when they are paid all that an employer can possibly afford to give them.

In one of the largest lines of production, the small, independent business man still did the bulk of the business. That was in farming. But the farmers did not share in this new prosperity at all. Their situation was really desperate. They had no Farm Trust to buck; nevertheless, their situation was worse, as a rule, than that of the corner grocer trying to compete with the chain store, for the grocer could see what was putting him out of business while the farmer could not.

The grocer could see, for instance, that the chain store was successful because it was able to put prices down. The farmer thought of success in terms of putting prices up.

If the grocer thought of organizing with other grocers to resist the encroachments of the chain store, he reasoned that they might effect such economies in buying as the chain store had

effected, and that this might enable him and his associates to give better service. It was difficult, to be sure, and possibly impractical, for mere voluntary associations to work out such economies; nevertheless, with the chain stores operating right under their noses, all saw the futility of trying to combine to secure a " fair " price for the goods they were putting over the counter.

But Big Business was not operating right under the farmers' noses. To the farmer, it seemed to be operating in Wall Street. It was something far off, vague, mysterious and terribly complex.

That Big Business was just Simplified Business, and that business in the way the farmer was doing it was the complex kind, never occurred to him. Aside from the introduction of labor-saving machinery, he was farming much as people had always farmed, and that to him seemed to be the simple way.

A row-boat seems to be much simpler than an ocean liner, but building and manning and organizing a liner is, after all, a much simpler

way of getting folks across the ocean, season after season, than the row-boat method could possibly be. To a certain type of individualist, however, the simple way to get a million people across the Atlantic would be to build a million boats.

And the American farmer, in this new collective civilization, was still very much an individualist. He was up-to-date, he supposed, in his methods. He knew he could not farm successfully unless he had trucks and tractors and high-power plows and harvesters and all sorts of modern machinery, but if he got all these things, he often discovered that he could not farm successfully even then.

For the modern method involved something more than the installation of labor-saving machinery. It involved, for one thing, the maximum use of that machinery. If a machine were idle most of the time, it could not be expected to give an adequate return upon the capital invested.

It also involved the giving of maximum service — making prices as low as the economies effected would permit and thus getting the prod-

uct to as many people as possible. This in turn involved the maintenance of a high wage scale and imposed upon the business man the moral necessity, at least, of doing his bit toward keeping wages up. And it involved the elimination of waste all along the line and cheerful co-operation with all developments tending to eliminate these wastes. Economical distribution was the necessary road to prosperity: not the mere elimination of the middle man, but the achievement of economies for everybody through large-scale co-ordinated action of the Big Business kind.

It was difficult, however, for the American farmer to observe and appraise these processes of industrial evolution — mass production and mass distribution. He was as intelligent as the manufacturer, but the change which had come over society had left him looking at problems from the old individualistic point of view.

Where there were special communities of growers all engaged in the raising of one crop, and this crop happened to be one in which there was some chance of effecting a monopoly, the situation was not so hopeless. Such growers

found it easier to combine, and the associations they established often evolved into real Big Business enterprises.

Almost all the raisins used in America, for instance, were grown in one particular valley in California, and after many trials and failures, the raisin growers eventually succeeded in making one co-ordinated and successful business out of growing and marketing these raisins. The lemon growers, the orange growers, the walnut growers and others also succeeded in establishing successful associations, by which they kept control of their products until they were finally sold in the city markets everywhere.

The larger a crop was, however, and the more widespread the area in which it could be raised, the more difficult it was to create efficient coöperation. It was more difficult to organize tobacco than prunes. And long after the demonstrated success of the limited crop associations, the wheat and cattle and corn growers of the Middle West, and the farmers who still tried to do general farming in the East, found their condition growing worse instead of better.

For one thing, they could not hire sufficient labor, and when they could get workers, they could not organize their work in such effective wealth-producing fashion as to permit the paying of very high wages. They could and did provide plenty of work for those whom they could hire, but this did not attract the unemployed. Modern industry, when it had a job for them, was offering high wages, a short workday and a minimum of back-breaking physical effort, and it is hardly to be wondered at that the unemployed stayed around the cities instead of working for a bare living on the farms.

Modern industry, in the meantime, had the pick of the country's manhood to work for it. It was never difficult to get men, for year by year, fewer men were necessary to meet the demands of increasing production; and the problem, as the modern industrial manager saw it, was to get the best men there were. One scheme after another was devised to "eliminate the unfit."

Where were these men expected to go after they were thus eliminated? That, unfortunately,

was not up to the industrial manager. He was working for General Motors or National Cash Register or Standard Oil, and he was concerned strictly with the success of that organization. He was solicitous that every worker in this organization should be a good worker, and the worker having qualified to work there, he was solicitous that he should partake generously of the rewards which co-operation all around might bring. He wanted wages to be high. He wanted the work to be, not only agreeable but inspiring, and he wanted to establish real human friendship between the individual employee and the corporation.

All sorts of schemes were introduced to cement this friendship. There were pension plans, profit-sharing plans, worker's education. Workers were even encouraged in many organizations to bring their personal troubles to their foremen, so that the company might help, by expert advice of physicians or lawyers or social workers, or by actually lending them financial assistance in particular cases, to free them from hardships and worries which otherwise might un-

fit them for doing the best work of which they were capable.

But, as these reforms were introduced, the search for good human material to begin with became more and more keen.

Often a strict physical examination preceded employment, and sometimes a strict moral examination. If a man had been convicted of stealing and had been in prison, he was hardly wanted in an organization which depended so much upon the morale of its employees. If his eyes were weak, also, he might go blind and make it necessary to substitute and break in some other man. And if he were at all inclined to be quarrelsome, he could not do at all.

So such men, wherever possible, were "eliminated." Not from all big industrial enterprises, to be sure, but they were generally rated as unfit. Mr. Ford was an exception. Although his radical act in doubling wages had at first been interpreted as a scheme for obtaining the most highly skilled workers in the automobile industry, it turned out that that was not his aim. For the Ford plan was to hire men as they

came and to put them at the sort of work which they could do. He hired many cripples and ex-convicts and many others who had failed to make good on other jobs. All had to pass a physical examination, so that they could not charge the company later with some trouble with which they were already suffering, but the mere fact that a man lacked an arm or a leg or some other desirable quality was not a bar to his getting a job. It was up to the company, as Ford saw it, to get efficiency out of ordinary people, instead of building up an organization of the specially endowed, and treating them so considerately that they would always work for him.

Strange to say, in almost all the social studies of the time, the man who organized work in the way that the work of all America might be organized was supposed to be rather ruthless and unsocial, while those who made employment a prize for the worthy and relegated the others to shift for themselves were hailed as leaders in the great new movement to " humanize " industry.

Obviously, if the work of America is to be co-ordinated, the unfit must have an opportunity

to work as well as the fit. If the unfit are not employed, they will contribute nothing to American society. They will produce nothing; and being deprived of purchasing power, they will consume very little, thus contributing very little to keeping business good.

They will, however, consume something. It will be necessary to take care of them through charity, public or private, and in either case they will be a charge upon industry.

But that is not all. If they are not employed, they are sure to become still more unfit; and if they are sent to institutions, either almshouses or jails, they are almost certain to become more unfit still.

In fact, that is what actually did happen, in this interesting period when American industry was becoming so good and American society was becoming so bad. Not all those, of course, who could not get work under modern conditions and with modern wages went to the bad. But the tendency was that way. Those who were "eliminated" were not eliminated. They didn't lie down and die. Modern industries may have

barred them out, but it did not bar them out of the modern industrial society. They remained in that industrial civilization and got their living from it without contributing to its support.

But this was not noticed. All that was noticed was that the crime situation was getting beyond control. It was supposed that everybody could work who wanted to, and in a sense, that was true. But it was not true that everybody could work as the work of the world was now generally done. Only a minority — and it was becoming a smaller minority every year — were now required to do all the necessary work in America: that is, all that those who did have purchasing power could pay for having done. This in spite of the fact that we had arrived at the eight-hour day, and in many industries the five-day week.

The reason that all the people could not go to work under modern conditions may be easily perceived by anyone who takes a minute to think of it. It was because these great industries, which had been built up through substituting co-ordination for competition, were not co-or-

dinated with each other. It was not a case, as it was in wartime, of their all being engaged in a common task. It was a case of each industry going as far as it could go, but of industry as a whole going nowhere in particular.

A great deal has been said, even in this book, about what "industry" demanded; and "American Industry" was spoken of as if there were such a being. But there was not. There were just a number of industries without a head, each to be sure dependent upon all the others, and each understanding pretty well what all the others needed, but with no way whatever of putting this understanding into action.

Every big industrial leader understood by this time how unemployment could be abolished. He knew that industry could employ everybody, if there were a ready market for everything which everybody so employed could produce; and he knew that there would be such a ready market if all were so employed, at wages sufficient to permit them to buy back the products.

But such a step would require co-ordination — the sort of co-ordination which was required

in wartime when it was agreed all around that private interests must be subordinated to the public interest and that, unless they were, no individual goals could be achieved.

There was no war now, however, and no great national emergency, apparently, to so focus attention that such a general co-ordination could be effected. All we had now was the most orderly business arrangement, combined with the most disorderly social conditions we had ever known. We had a booming stock-market and wide-spread unemployment. We had prosperity, not for the few but for millions and millions, while we also had long breadlines in the cities and millions of farmers were so desperate that they were marching on the Government to demand that it establish political prices for wheat.

And we had one other phenomenon. We had a number of modern industries, which had proved so efficient that the little old individualistic businesses could not compete with them, who now found that they were no longer competing with little old-fashioned businesses but with other industries as modern and as well-equipped as

they. They were now in a position similar to that in which certain nations had found themselves a few years before, when they had achieved peace through arming themselves in such a modern way that their ancient enemies could not attack them. The peace lasted until their enemies had become similarly armed, and the resulting war was the greatest one in history.

This was a wonderful period, but American Business had not reached its goal. It had simply reached a point which looked more and more like a crisis. The nature of that crisis will be considered in our next chapter.

CHAPTER SEVEN

Industrial Co-ordinations Inevitable

When it is pointed out that a small percentage of the present day business organizations in America are making almost all the profits which are being made, the figures are capable of great misinterpretation. For these corporations, unlike the corporations of a generation ago, are making money for a considerable proportion of the population.

A generation ago, there were relatively few stockholders in our great industrial and financial corporations. Today there are, nobody knows how many, millions. A generation ago, moreover, stocks which were unloaded on the public by railroads, rapid transit companies and many other supposedly reputable corporations were likely to be very doubtful stocks. If they

were known to be "sure things," the insiders were likely to hang on to them.

For many years now, however, the great American corporations, led by the public utilities, have really been taking the public into partnership. They no doubt had a selfish reason for it. They wanted to win the public sympathy. In the old days, a politician could raise a cry against the corporations and be almost certain that the public would respond, and the stung stockholders in these corporations would lead in the response. Today, due to the far-sighted policies of modern management, all that has changed. If an enterprise is risky today, the insiders are more likely to take the risk. The public utilities especially have made it their first concern to see that securities unloaded on the public shall more than make good on every promise.

Such tactics have paid. They have made millions of friends for the big combinations among the most influential people of every community. Thousands of little business men, in fact, who have not been making any profits out

of their own businesses, have been drawing handsome dividends from the very institutions which have been putting them out of business.

While capital, therefore, has been concentrating from year to year in a few great pools, and the control of this capital has been in the hands of a few great business executives, the wealth of America is being distributed on a much wider scale than ever.

The typical modern multimillionaire, in fact, is not a great spender, as was the typical rich man of all former times. Like Ford and the General Motors group, he is a great worker. He does not parade his wealth. He uses it for the further capitalization of the industrial processes. Dividends to the poor mean more spending for ultimate consumption. Dividends to the very rich generally do not. Our American millionaires have long since passed the saturation point in consumption and display. It does not amuse them to keep up establishments with great retinues of servants as of old, for the purpose of showing the rest of us how rich they are. Such things seem childish, and besides, they take a

lot of time which might otherwise be spent in interesting work.

To many, this may seem to be a solution of our social problem. As people get wealth from dividends, they may argue, they turn it back into the industrial processes. But that is not true: and if it were true, it would furnish no solution. For people in general do not and cannot act this way. In spite of all the new industries which are starting up from year to year, and in spite of all the capital which is being employed, not for the production of things which people want to consume, but for the building up of new capital equipment so that things may be produced, at a still faster rate, the actual working class is dwindling. A greater and greater percentage of the people are either living on their money or managing in some way to get money without working for it; that is, without contributing anything to the wealth-producing processes.

America is developing a large class of idlers, although there are fewer idlers among the very rich, in proportion to the population, than any society in human history has ever had. One large

group of idlers consists of mere stockholders who contribute nothing to the industrial processes excepting their accumulating capital and do not contribute even the bulk of this. Their income, while they may not be millionaires, is large enough to enable them to maintain a high standard of living, and perhaps loll about as tourists and globe-trotters, or spend their lives in gambling on the Stock Exchange.

But it would serve no purpose at present if these folks were to " save " their money and live frugally instead. They would still be idlers, and their thrift would only render others idle by increasing the demand for goods and increasing unemployment.

Nor would it do any good if they were to go to work. For industry as it is at present organized has no need for them. The Machine, although not yet co-ordinated, is producing so much already that it is necessary to lay off workers from year to year. Although wages have been increased and hours of labor diminished, the problem of disposing of the product is already a distressing one, and simply to produce more is no

solution. It was once argued that the unemployed should " go back to the land," but if the number of farmers in America were increased by several million, the plight of the farmers would be unspeakable.

There are not only an increasing number of idlers in America, there are also an increasing number of people who are working, but whose work, even though it may be well compensated, contributes little or nothing, or less than nothing, to the aggregate of wealth.

Gangsters, for instance, " work." They get very busy at times, but the fewer jobs they do, the better it is for all of us. Policemen also work, but the more work they have to do, the worse it is for all of us.

Boot-leggers work, and they comprised a sizable proportion of the American public during the first decade, at least, of Prohibition. But granting that intoxicating liquors, although harmful, are still " wealth," the conditions under which this industry was carried on did not permit of any great results, in production and distribution, per man. Ten thousand men, if

permitted to organize the alcoholic beverage industry along the lines in which legitimate industries were carried on, could surely have satisfied the drinking public much better than the boot-leggers were able to do. But the drinkers did not pay for the labor of 10,000. They paid for the labor of — well, a low estimate would be a million; and this uneconomic system of production and distribution was amply reflected in the price, even assuming that the goods were honest.

Many of the legitimate businesses, however, were hardly more economical. It has already been pointed out that there were many more persons engaged in farming than would have been necessary if agriculture had kept pace with modern industry, and the processes in food raising and food distribution had been co-ordinated in the way, say, that the production and distribution of electric power had been co-ordinated, instead of being left to the hit-or-miss tactics of many millions of small, competing businesses.

Careful estimates declared that there were twice as many coal-mines as were needed in

America, and twice as many miners employed, and the plight of the miners was as bad as that of the farmers. The chain stores, also, did not do away with the little independent stores; they simply made it impossible for the little fellows to make a decent living, although millions of small shop proprietors and employees "worked" harder than ever, while compelled to live on a lower scale than that of the industrial wage-earner.

American industry, although it developed many plans for the welfare of the labor it employed, made none whatever for the labor it displaced. This labor, to be sure, was partly absorbed by new industries, partly by the building of still more capital equipment and partly by the promotion of roads and public works. Had it not been for this absorption, there must have been such a National crisis as to center every thought upon it, for it is obvious that no society can endure when there is no way open for vast masses within it to get a living.

As it was, the issue was obscured for years. Labor, in the great industries which were co-

ordinated, was more contented and more co-operative in spirit than labor had ever been before. Unrest, then, did not show itself in strikes and riots. It showed itself rather in schemes and frauds and "rackets," in unsound business ventures, in shady business, in such pursuits as boot-legging, more or less condoned by a large element of the community, and in enterprises which might easily occur to the boot-legger type of mind but which no American could condone.

That industry might act in concert to meet this social problem scarcely occurred to industrial leaders until 1928. This writer, at least, was greatly surprised at the flood of comment which rolled in from Big Business executives upon an interview with him which appeared in Forbes Magazine that summer.

In it, he had suggested that rather obvious but seemingly radical measure of co-ordinating industry through bringing it, by purely industrial rather than by political processes, under social control. An "institute of institutes," he said, was needed — an Institute of Industrial

Co-Ordination, comprised of the industries themselves, which would make it possible for industry in general to act in concert toward ends which all the industries and the whole American public must recognize as good.

"Abolish Unemployment and Stabilize Prosperity" was the caption of the article. There was nothing in it which big business leaders did not already know. They knew that prosperity could be stabilized, and that it could be made permanent and universal, if industry could only be co-ordinated in such a way as to furnish modern, effective, high-power employment for everybody at wages sufficient to buy back the enormously increased production which would inevitably result.

They knew, also, that this could be accomplished only through voluntary industrial action. No political government, no matter how lofty its aims and how incorruptible its personnel, could possibly bring about such co-ordination. Political governments were never designed for such a purpose. Their business is to establish right between man and man; and maxi-

mum service requires something more than a determination of rights.

Industry, like human life itself, is not concerned primarily with rights. It is concerned with feeling and action — with what human beings actually want and what methods may be employed to supply those wants most abundantly. It is vitally necessary, of course, that no one's rights shall be invaded in man's pursuit of life, liberty and happiness: for if his rights are invaded, that interferes with the pursuit. But the rights are not the primary consideration. The *pursuit* is the big thing, and that must be carried on by man, not by some king whom he has raised up to rule over him, nor even by a parliamentary committee.

Political governments may and should lay down the rules of the game. But they cannot play the game — men must do that. To suppose that a political government can conduct human affairs is to leave the game to umpires and referees and dispense with the players. Rules must be respected: at least, they should be. But they would soon cease to be respected if the game were

played for the rules instead of the rules being made for the game.

One must first understand the game, and this understanding of the game is not a mere intellectual process. It involves a feeling for the game, a zest for it — a zest which no book of rules and no systematic study of it could possibly implant. That zest must exist in the player. It must exist in all the players, or there cannot be any game worth while. After that, it becomes necessary that each player shall recognize the rights of every other player but the game is not primarily a matter of rights.

This is equally true of modern industry and modern business. Modern business is not primarily a matter of rights. It is a matter of service. It is a matter of filling human needs, and of a great absorbing passion on the part of the business man to that particular end.

But this has not been known very long. It is not yet known, excepting by those who have been following modern business rather closely. If an organization is not absorbed with such a passion, however, it is not modern and not at all likely to

succeed. The pursuit of profits as the ultimate aim of industry is passé. Profits are necessary, and profitless prosperity is about as dismal an outlook as industry could have; for without profits, the big job of filling human need cannot go on. Nevertheless, the concern which is most likely to be making these profits today is the one which has abandoned the pursuit of profits as its goal and has given itself to the job of getting to the people the things that people want.

In war time, the recognized goal of industry was not profits. It was the winning of the war. After the war was won, it was supposed that we could go back to the profit principle. But we could not. We were in a new social order, and it was an order in which the profit principle would not work. If the world had known that it was in a new order, and had had any understanding of its nature, there would have been no war. But we did not know. It took years of bitter experience to find it out. It took a bitter war and a bitter peace: for in the first years following the Armistice we still supposed that nations could get ahead by trampling each other down, just as

Americans had supposed that freedom meant unrestricted competition and the individual right of each one of the one hundred million sovereign citizens to shove all the others out of the way.

But the principles underlying the new order have now been discovered. The author makes no claim to having discovered them. They have been discovered by modern industrial leaders; not because these men were morally superior to the old timers but because they had to find ways to get along in the modern world.

The modern world had become collective. Human life had moved into the machine method of supplying its wants, the method by which, instead of each man looking out for himself, or each family for itself, the work of hundreds of thousands and even millions of people was all nicely dovetailed under a high-power system to achieve a common end. And this end, it turned out, was not merely the service of the hundred thousand or the million; it was the service of every living person to whom the service could be brought.

In such a world, if one were to get along in it

at all, the principles of co-operation and co-ordination had to be discovered, and they had to be applied, whether there was a law forbiding co-operation or not. Even the Government, even the Supreme Court, had to recognize this in time: and if the Supreme Court were given another hundred years to work on the problem, it might find a way to interpret the anti-co-operation laws so that every combination in the public interest might be excepted.

But many of the business men who commented on that article in *Forbes* saw certain disadvantages in waiting a hundred years. They saw that co-ordination was vitally necessary now, and it was not long before there was a considerable movement within the ranks of Big Business to discover how such all-around co-ordination might be inaugurated.

To be sure, it will be necessary to change the laws. American industry cannot enter into a general conspiracy toward a common goal, while the Sherman Law in its present form is on the statute books, even though the object of the conspiracy is to make every man, woman and child

in America a millionaire. That law could be ignored in war time, but it cannot be ignored in times of peace, even though it be a peace where there is no peace. The law plainly makes it a crime to enter into any combination in restraint of trade, and the goal of industry is to restrain trade so that trade shall do the things which human life wants it to do.

If there were a law prohibiting the restraint of electricity, on the theory that lightning is natural — and it surely is — there could be no electric power industry. In order that there could be any modern industry at all, it must first be admitted as a principle of human life that we have a right to restrain the natural forces so that they shall do the work we want them to do. When superstition was universal and it was believed that any such restraint of natural processes was an affront to God, poverty was necessarily universal; and so long as it is insisted upon in America that working against each other is a sacred principle which must not be disturbed, we shall all have to pay the penalties of working against each other.

The Sherman Law was a rule imposed on business in an age when everybody supposed that the purpose of business was to make profits at the expense of others. It could not be enforced because that was not the goal of business. It was just a supposition, as superstition. Nevertheless, it was the official rule under which the players had, at least, to pretend to play the game. As a matter of fact, we have been playing one game *under the rules of another;* and most of us, including the Supreme Court, have been very naturally confused.

We have been trying to play baseball by the rules of chess, and although we have made some great home-runs, the umpire is likely to call a stale-mate and order the game dissolved. Obviously, the rules must be changed. Business is not a game of profit-chasing. It is the grand game of supplying human wants: and the one great necessary rule of business is that it must be carried on in the public interest.

No real business man would object to such a rule. Nevertheless, such a rule would not in itself insure good business, any more

than a good baseball rule would ensure good playing.

Good business can be brought about only by good business men. Fortunately, we have them in America, and all that is necessary is to permit them to function. They want to get together, and those who do not yet want to, will want to very soon. They must. Profitless prosperity offers no alternative.

Already we have the absurd situation of economies creating waste. Low cost production, as business men have begun to see, is causing high-cost distribution, and lower and lower costs of production on the present basis can only intensify the absurdity. The situation is so critical and demands such a complete abandonment of ancient formulas that many hesitate to face the facts and to ask the question frankly: "Whither is this leading?"

Low-cost production cannot be discarded. Every manufacturer is compelled to manufacture with the utmost economy, and that means that he must employ the principles of mass-production. He must keep all his machines busy as

many minutes in the year as possible, and he must introduce every conceivable device to obtain the greatest possible results from the least possible human effort.

But with everybody manufacturing in this way, how is the product to be disposed of? The solution at present, if one is naive enough to think of it as a solution, is to put more effort into selling. Get more and higher-priced salesmen. Double, triple, quadruple the advertising appropriations. Sell! Sell!! Sell!!! even though the cost of selling means eventually that prices must be raised to a point where nobody can buy.

Surely one does not have to belittle the great social service performed by advertising and salesmanship to perceive that this process cannot be extended to infinity. By no magic of salesmanship can the people be persuaded to buy more than they can. Production must be related to purchasing power; although not, as was once generally supposed, to an uncontrollable phenomenon known as "the market." For such prodigal production as we have in America, growing as it has grown out of the application of scien-

tific principles to collective action, points the way to market control — to making the market large enough to absorb all that we are making, and to continue the process, not until we run up against some blind force called " economic law " which suddenly robs us of our purchasing power, but until all the people have all the things they want. In a word, to use the expression of Foster and Catchings, modern business must find a way to finance consumption.

Such a suggestion, but a few years ago, would have been considered an insane dream. There is no limit, it was supposed, to the wealth that people would pile up if they could, to the money that they would spend on themselves and to the luxuries that they would wallow in. But America has already disproved that statement. America has more multimillionaires than any society in human history, and they are almost invariably plain-living, hard-working, sane and healthy people, with no abnormal acquisitiveness, who do not think of money as a thing to spend on themselves but as a means by which industry can be capitalized and human life be

liberated from poverty and ignorance and fear.

Our Rockefellers and Fords may differ in method, but they do not differ in aim, and this aim is becoming more and more typical of American wealth. They may, to be sure, talk about the advantages of "private" over "public" operation of industrial enterprises, but "private" and "public," in that instance, are only words. They know that modern industry is not private, that it is communal in character and cannot be carried on successfully except by the fusion of masses of human beings toward one common aim — a fusion much more intimate and much more thorough than could ever happen in the process of fusing into a political state.

It is not "public" control of industry to which the industrialist objects. It is *political* control, or the attempt to control it by opinion, public or private, instead of according to the discovered laws. For class control, also, he has no sympathy, whether it be the "capitalist" or the working class. For there is nothing in one's class feelings which informs him how to make

the wheels go round. The man who views industry in terms of vested interest, and he who thinks of it in terms of a dictatorship of the proletariat are equally off the track, in the eyes of the modern American industrialist. One will cling to archaic methods, in the vain hope of making profits out of disservice, while the other will not take the trouble to learn the truths of industry and may find his precious class in futile possession of a machine which they cannot run.

But all these industrialists believe in co-ordination, and they do not believe that the principle can be carried too far. Being modern industrialists, they cannot help believing in it. They may insist, and doubtless will, that the co-ordination must be voluntary: for modern industry is based upon science, and science is based upon free experiment. Decreeing co-ordinations, forbidding independent ventures, attempting to pass laws which will confine the industrial processes within one particular rut — all that is contrary to the new industrial spirit. But if all the industries *want* to combine to achieve an end which all the people want achieved, and if,

in addition to that, practically all have reached a dilemma which makes some such action necessary, we may say with some degree of certainty that the step will soon be taken.

And that *is* the situation. That is what is going to happen in America very soon. It may take fifty years and it may take five. How long it takes will depend upon how vividly the situation is perceived. Things happened very quickly in war time because almost everybody was pretty well aware that there was a war. But it is sure to happen, just as surely although perhaps not quite so rapidly, as things happened then. For American industry is reaching a glorious consummation, and one does not have to be a prophet to discern it. We have not gone through this industrial revolution for nothing. This mountain has not labored to bring forth a mouse: and this machine civilization has not come upon us merely, as one recent analyst expressed it, to usher in a "new era of merchandising." The co-ordination of industry is just ahead, and with that co-ordination, not only unemployment but human poverty, will be abolished. And there

will be, not economic independence, for human life in its very nature cannot be independent of other human life, but universal security based on interdependence, and the material foundation, at least, for human brotherhood.

CHAPTER EIGHT

The "New Competition" and After

Throughout this book, we have used the word "competition" as opposed to "co-ordination" although, in the course of industrial evolution, the word has come to take on a different meaning.

Mr. Ford, for instance, has been an outstanding proponent of the principle of competition but a leading exponent of the principle of co-ordination. The seeming paradox, however, is easily explained.

At the time the Sherman Law was demanded by American voters everywhere, the shoe-dealer looked upon other shoe-dealers as his competitors; and if it were suggested to him that his most dangerous competitor was the local plumber, or the proprietor of the machine-shop

a few blocks away, he would rightly have considered the suggestion stupid.

In 1928, however, the shoe industry of America had become aware that the American people were not spending as large a part of their income as they had formerly spent on shoes; and one reason for this was that Henry Ford, puttering in that machine-shop, had worked out a scheme which saved shoe leather on a scale which no one had ever imagined possible. Another reason was that a new era of housing had dawned in America, and that luxurious bathrooms, with hot and cold water, and other luxuries involving extensive plumbing operations, had come to be in general demand.

The radiator industry, which evolved originally from the plumbing shop, had been particularly aggressive in building up this demand, not so much by the claims of each radiator company that it was making by all means the best radiators in the market, but by depicting the personal satisfaction and the social prestige which naturally accompany the perfectly appointed home. They said nothing in their advertise-

ments against spending money for other purposes; but money which was spent for bathrooms and heating systems could not be spent for anything else; and the industries which seemed to lose in the deal were those which had failed to unite as industries in whetting the public's appetite for what the trade as a whole was producing and trying to sell.

The shoe industry — at least that is the way the shoe men now began to size up the situation — had been particularly lax. Different manufacturers had emphasized the superiority of their particular makes, but they had not united in building up a demand for shoes. They had assumed that everybody would buy shoes and wear them out; but they were not wearing them out now, when they did even their short errands in motor cars; and when they had some surplus cash on hand, they had been reminded so often to spend it for household luxuries that is probably what they did.

The cue for the shoe industry then, was to get together and to make the public as "shoe-conscious" as it was already car-conscious and

home-comfort-conscious. It need not necessarily advertise shoes. It would serve the purpose equally well to advertise walking; and if articles were to appear everywhere, not only calling attention to the physical need for this daily exercise in the open air, but to the hiking-club as the newest fad of fashionable society, there would soon be a demand for millions of the new pairs of shoes.

The result of such movements in all the trades was to turn competitors into allies. More and more it became evident that one's competitor was not the person engaged in the same line of business, but the person who was in an altogether different line and uniting with his associates in that line for a co-ordinated attack upon the consumer's dollar.

The manufacturers of Portland Cement furnished an outstanding example of this tendency. The public today hardly knows the names of these various manufacturers, but it has been thoroughly "sold on cement." The job was so thorough, in fact, that the lumber industry and the steel industry felt the competition keenly,

and even the slow-moving United States Steel Corporation was moved to rouse itself from its routine and engage with other manufacturers in a general campaign to make the public hungry for products made of steel; not merely steel bridges and steel apartment houses but steel cabinets and desks and waste-baskets, and everything else in which durability and fire-prevention were prime considerations.

When the florists of the country quit looking upon each other as enemies, and united in the grand slogan "Say It with Flowers," they multiplied the demand for their commodity.

The Youngstown Pressed Steel Company, in fact, saved itself from ruin and became a great money-maker by forgetting that it was in competition with other pressed steel manufacturers and inaugurating a three-year campaign among American industries not to sell Y. P. S. Co. products but to demonstrate the advantage of pressed steel parts over the castings which these industries had been employing.

"Press it from Steel Instead" was their slogan. It seemed at first like a war upon the

foundries. But it turned out that they did not injure the molding industry: for the economies they introduced permitted the mass production of so many products that foundries received orders for millions of small parts for which castings could not be substituted, instead of for thousands of large parts for which they could.

Economists generally spoke of this development as "the new competition," and there is no particular objection to the term; but it must be remembered that the better business which the new competition brought, resulted not from the war which industries now made on industries, but from the peace which industries had reached within themselves.

The good roads which the cement industry has been so busy promoting have been of equal value to the industry and to the community. But if it has given us cement structures where steel would be much better, it has not served the public as well as it might and has not really helped the industry. A thorough co-ordination of all the building interests could surely give much greater service to the public than can pos-

sibly be given, either through wasteful competition of dealer with dealer or wasteful competition of industry with industry.

In fact, there is and can be no other outcome than such co-ordination. The very process which compelled industry to give up the old competition will likewise compel it to give up the new. The alternative is not one of continuing the competitive principle of supplanting it with co-ordination but of how American society shall undertake the co-ordination.

Shall we attempt it through industrial action or through political action? This is a real question, and he who thinks there is no danger of a political upheaval simply because "American Labor" is so prosperous is overlooking one of the most important signs of the times.

American labor in the more co-ordinated industries *is* prosperous. But these industries are giving employment to a smaller and smaller percentage of the population. What is becoming of the rest? Are they being provided for? If they were being provided for — if the industrial economies now inaugurated were resulting in a better

economic opportunity for the displaced, would we have such social disorder as we have today?

There was a theory, in the early days of industrialism, that the introduction of labor saving machinery would cause unemployment, and the displaced workers mobbed and sometimes wrecked the machines. Economically, we now know they were wrong, for the introduction of labor saving machinery very soon created jobs for many more wage-earners than had been displaced.

In another sense, however, the angry workers were right. For the new machinery operated as it was, strictly according to the code of the pre-industrial trader, had no interest in workers' welfare nor in supplying human wants. It was run strictly for profit and with no understanding that, in an industrial society, profits flow from service. The new capitalists, because they had no background to teach them better, took it for granted that profits resulted from the ability and the opportunity to press a hard bargain; so each employer ran his factory on the principle of getting all he could and giving as

little as possible. Because it was a labor saving factory, however, it did give service, and it effected such economies in production that the way was opened up, year by year, to provide more and more would-be wage-earners with jobs. Because these factories were run on pre-industrial principles, however, the service which they rendered was all messed up with disservice; and every little while there was an industrial collapse which furnished unemployment and misery to everybody.

Today we have a peculiar reversal of that situation. All modern employers thoroughly understand that service is the fundamental principle of industry and that the welfare of the worker is one of its chief concerns. On the other hand, they are confronted with a situation of great social disorder, seemingly growing not out of poverty but out of prosperity.

The machine is giving unparalleled service, and the machine worker has generally risen to a position of honor in the community which makes the very word "proletariat" meaningless to most Americans. The trouble is not among

workers, apparently, but non-workers — among masses who somehow hope to get a living without contributing their share to the aggregate volume of wealth. That this has anything to do with the industrial advance is still not clear to a great many business men. They think it must be due to some mysterious moral deterioration or to parents not bringing up their children as they should.

What else can be expected, however, in a society which is constantly diminishing the number of workers but constantly increasing the volume of production so that it becomes necessary year by year to increase the number of salesmen?

American business is virtually saying to American youth today: "No, we cannot employ you as a producer, for we are already producing more than we can sell, and our technique of production is so improving that the problem of getting rid of the product, even though we do lay off great numbers of workers, is becoming more and more intense. The people we want today are people who can sell the stuff. They will, to be sure, add nothing to the aggregate volume of

wealth, but there's a great living for them if they use their wits and solve this business problem."

There is a way of estimating the number of industrial workers in America, but there is no way of estimating the number of "salesmen." For the unsuccessful worker is eliminated from industrial employment, but the unsuccessful salesman is not eliminated from the game of getting money by his wits. All we know is that millions of Americans are not working and do not intend to work; and if they did intend to work, they could not find jobs in the modern industrial processes. They are not listed, however, as unemployed. Millions of them, possibly, are eking out a living legitimately. Other millions seem to be operating illegitimately. This is all doubtless highly immoral and is entitled to all the excoriation it is receiving; but human nature being what it is, one can hardly see how any other situation could result.

No person today is performing a more necessary social service than is the genuine salesman; for he has not only made us acquainted

with the things we want, and lured us from the course of thrift (he calls it "breaking down sales resistance") to a point which has made business generally so prosperous that each of us individually has had an opportunity to prosper, but he has educated our wants, he has refined them, he has raised our esthetic standards, developed our appreciation of beauty and encouraged us to want things which the common people never dared to want before. All this may be granted while it is being pointed out that we cannot have a human society in which only a few shall be producers and the rest of us engaged in selling the product to each other. America has already gone farther in that direction than any orderly society can go. To restore order in America, it will be absolutely necessary to admit the public in general to the wealth-producing and life-enlarging processes, and this can be done only through the co-ordination of our industries.

How soon it will be done will depend upon how much disorder, how much over-production and how much profitless prosperity our industrial leaders think they can stand, but when the

job is done, these leaders must do it. No one else knows how. The political government may try it, just as the political government tried and failed to prosecute the war. It is even conceivable that the mob may try it, if the disorder should reach an exploding point, or that some American Mussolini may appear on horseback to quell the mob by substituting autocracy.

But there is no great cause for alarm; for the industrial leaders of America are still leading, and they are already evincing a willingness to tackle the problem.

Charles M. Schwab, in addressing the Iron and Steel Institute in the summer of 1928, particularly emphasized the industrial wastes which no steel corporation but only the industry acting as an industry could repair; the waste, for instance, resulting from Pittsburgh manufacturers shipping steel into the Chicago district while Chicago manufacturers were shipping to Pittsburgh.

George M. Verity, President of the American Rolling Mill Company, addressing the same body, emphasized the need for industrial states-

manship, and declared that the time had come when the successful business man would be the one who thought first in terms of the whole industry rather than in terms of his particular company.

Similar expressions are heard at every great trade convention today. They are not important in themselves. The thing that makes them important is the people who are voicing them. They are not theorists, telling us how nice it would be if such and such principles were followed. They are the hard headed, practical business leaders of America, who could see plainly that busines has reached a turning point, and that the next era is not one of independent hit or miss profit seeking, but of an orderly alliance of formerly conflicting forces to achieve maximum benefits for the whole community. But it is one thing to recognize a principle, and quite another to devise a mechanism in which that principle shall have full play. The average business man today, while he may fully comprehend this social principle, must be well aware that there is no machinery yet in existence by which

co-ordination can occur. He may merge with his competitors, but that does not present a solution. It is but a postponement, although a necessary one, of the day of reckoning; for unless the whole social order be somehow merged, merely increasing the power of competitive opportunities must eventually end in wreckage.

A universal willingness to serve, moreover, is not enough, — just as a universal willingness to prosecute the war was not enough in war times. This willingness to serve is already quite general in America. But all who are willing are not able to demonstrate their willingness, for there is no way in which they can enroll for service and have their services related to one campaign of service.

In order to serve effectively it is absolutely necessary that the service proffered must be so related. This does not mean that it is necessary today, nor that it will ever be necessary in America, for individuals and organizations to lose their identity in one super-corporation. It is not necessary to belong to a large organization today in order to serve efficiently. There are in Amer-

ica many small businesses which are great successes; their being small may easily account for a part of this success. But there are no businesses, large or small, which are successful, which are not constructively related to the whole business fabric.

It is apparent, in the work of all our trade associations, that certain small enterprises are able, by virtue of their being small, to achieve certain things which the great organizations cannot so easily achieve. They may, for instance, make sudden shifts in management. They may double their working force to meet sudden exigencies. Like the small craft of the Navy, they may dart about in shallow waters where the big battle ships could not safely go. Nevertheless, if their work is to be effective, it must be co-related with the common aim.

In America, however, the necessity for such all-around co-ordination has never before been seen. And now that it is seen, we find that we have built up all sorts of barriers to prevent it. The experience of every trade association will bear out this statement. With each member

thoroughly convinced that all are suffering because they are not all working in harmony, every attempt to achieve harmony meets a double obstacle. First, there is the age-old habit of business men to think in terms of their individual business. Agreements, even if they were legal, might not always be translated into effective action. Cut-throat competition occurs in emergencies, even though no one concerned is intentionally a cut-throat, and it is almost impossible to say who started it. It occurs especially in the associations which have not had long practice in the art of getting together, because business, although intellectually recognized as a social function, is still emotionalized as a private affair.

But it is not merely against the psychology of their own members that the average trade association has to war. It is also up against the whole body of anti-trust legislation which grew out of this ancient psychology, and not out of present needs.

Co-ordination, it must be perceived, is more than a principle and more than an intellectual

conviction. It is an art. It is a human experience whose technique is still to be learned. Here and there, in certain specific developments, that technique has been learned, and out of it we have already developed a complete, new, industrial philosophy. Nevertheless, the course which now appears not only logical, but imperative, is so utterly at variance with the most fundamental traditions of business, that business men can be excused for hesitating on the brink of it.

That whole trades may unite in mutual helpfulness is now seen possible, ridiculous as the theory might have seemed a short half century ago. That capital and labor may join in their mutual task is also quite possible today. And on top of that, there is the generally recognized philosophy of service. But that there should be a union of all industry to achieve the ends which all industry desires, and that this union should set up an executive department in which the total resources of society should be co-related to the social need, is a concept which fairly outsocializes the socialists. If it were not absolutely

imperative, there would be little point in discussing it at all.

But it is imperative. There is no other way out. Not only must this socialization of business occur, but the process must be put in execution by the business leaders themselves.

CHAPTER NINE

Who Wants These Anti-Team-Work Laws?

That poverty can be abolished is a new American conviction. At no former period in human history was it ever understood how this could be achieved. Hitherto it has been the goal of theorists and dreamers but in modern America hundreds of our eminently practical business leaders not only perceive that the goal is attainable but are thoroughly conversant with the principles by which it can be reached.

These are the principles of co-ordination and the elimination of waste.

Poverty and unemployment are simply labor power which is not being utilized. It is not utilized because it is not capitalized. To capitalize all our labor power, however, entails a complete abandonment of the old theories of busi-

ness and an acceptance of the principles upon which our modern industries are running.

And that's a big job.

In the first place, if there should be an industrial conference in America today, to discover the steps that would be necessary for the achievement of such an end, it would certainly be discovered that any effective steps would be illegal.

There is the Sherman Law and the other anti-trust legislation to consider. These laws, to be sure, have not prevented combinations; and little by little the public has been educated to see how socially beneficent some of these combinations may be. The Supreme Court has likewise been educated, little by little, to permit such beneficent co-ordination. But the popular mind and the legal mind of America have not perceived the fundamental principles of this new social order. The popular mind could not because, to understand those principles would require a deep and intimate study of the whole fabric and the whole purpose of industry. The Supreme Court could not because it has not been the business of

the Supreme Court to study social changes and to adjust its thinking to them, but to study the law and the intent of those who framed it, and to adjust all human action to that.

To repeal the Sherman Law, however, would in itself accomplish little, if anything, toward bringing order out of the present chaos. All that such a repeal could do would be to permit industry, if it were so minded, to inaugurate such order, provided the courts did not embarrass progress with too rigorous an interpretation of the common law. The problem is wholly an industrial problem. It is a problem of business and of engineering and must be solved by business and engineering minds, with no hindrance and no help from politics other than the assurance that the State will keep its hands off and permit industry to do the job.

In a word, while no change in the laws can in itself bring about the change which all Americans want, the change cannot be brought about unless those laws are changed.

I say that all Americans want this change, with little danger of being disputed. For no

American who is recognizably American wants poverty. No one wants to have anyone who is willing to work deprived of the opportunity. And practically everyone, whatever theory he may hold concerning competition, is pretty well convinced that co-operation and mutual service are principles which must be given wider and wider application.

It may almost be said that no American really wants the Sherman Law any longer. That, of course, will be disputed, but let us see.

Big Business surely does not want the law, even with the " reasonable " interpretation given by the Supreme Court. The acquittal of the United States Steel Corporation, which is usually cited as the great triumph of " reason " over the old prejudice against combinations in general, still leaves Big Business with no guide whatever as to what constitutes a reasonable restraint of trade.

No less an authority than George W. Wickersham, former United States Attorney General, in analyzing that opinion, said:

" The decision in this case, in view of these

conflicting opinions and the fact that the judgment was rendered by a vote of the minority of the whole court, could hardly be taken as a determination of the specific controversy between the Government and the Steel Corporation, and as laying down any general rule upon the main question of monopoly that the court necessarily would follow in another case. . . . It is, however, true that both the prevailing and the dissenting opinions of the U. S. Steel case contain notes of warning against future attempts to combine large competitive units into single corporations. So far as the past is concerned, the decision of the majority of the court seems to have been to let bygones be bygones. But he would be a venturesome counsel who would advise the formation today of a combination of many competing corporations in inter-state commerce, to get a controlling or dominating part of the business of the country in any given commodity. . . ."

In a word, the Steel Corporation and other large combinations formed in the past have now reached a position in which they are exempt from

the law. But there is no telling when some aspiring young district attorney may inaugurate another trust-busting campaign, and not an inkling as to the attitude which the Court may then assume.

To cite an example, since this steel case was settled, an attempt to merge a number of baking concerns, controlling perhaps 20 per cent of the bakeries of the country, was blocked by the Government as constituting a violation of the anti-trust laws.

Other concerns, to be sure, although absolute monopolies or nearly so, are permitted to continue business. But there is no well understood principle of law which protects them. Apparently it is nothing more nor less than the lightning has not struck them yet.

Big Business is in a twilight zone. It does not and cannot know what course is legal and what illegal, and even the favorable decisions are anything but enlightening. The Steel decisions, it seems, have not even satisfied the steel industry, and Mr. Charles M. Schwab, speaking before the American Steel and Iron Institute,

deplores the fact that the steel industry cannot serve the best interests of the public, nor its own best interests, hampered as it is by the anti-trust laws. He could, as was previously stated, see no good business reason, nor any common sense, in Pittsburgh manufacturers being compelled to sell their products in San Francisco and San Francisco manufacturers to sell theirs in Pittsburgh.

Nor can any other spokesman of Big Business today. But how about the small business men! Do they somehow gain an advantage through Big Business being restrained from giving the public the best service of which it is capable!

Positively no. For the very law which restrains Big Business corporations also restrains the small manufacturers and dealers in an even more tyrannical way. For a big business is a corporate unit and its directors agreeing upon a certain course does not necessarily mean a conspiracy. But if a number of competitors agree upon a certain course, no matter how advantageous such a course may be to the public and to

all concerned, there is a presumption that they are conspiring to restrain trade.

The Sherman Law was not aimed at the trade associations, but it has hit them far harder than it has hit the big corporations at which it was aimed. The decisions against the trade associations, no matter how reasonable they may have been from the legal standpoint, have been economically ridiculous.

The decision in the Trans-Missouri case first put the presumption of illegality upon all trade associations. In the Addiston Pipe case, the association of manufacturers proved that they had benefited the public by reducing prices, but this evidence did not impress the court as relevant. "Its tendency," said the Court, "was certainly to give the defendants the power to charge unreasonable prices, had they chosen to do so."

With the coming of the war, the trade associations seemed to be legalized and to receive the hearty co-operation of the government. In fact, more than that. They seemed almost to become the government; for, as pointed out in a previous chapter, the war could not be waged

unless American Industry as a whole could find out just how to tackle the job as a whole, and it was only through the trade associations that industry could discover just what it could do.

The war gave the first great impetus to a frank, free and open relationship between competitors, and it was found that everybody benefited by the experience. Such joint ventures as industrial research, education, cost-accounting, joint advertising, publicity, arbitration, employee insurance, and the collection and dissemination of data were undertaken with excellent results. Old fears and suspicions were exorcized and a real beginning was made toward stabilizing business by standardizing products and procedure, so that ruinous, cut-throat competition might be eliminated.

But the very success of this course, although the public was the greatest winner, invited attack by the law. The law had nothing to say about the public welfare. The law made combination in restraint of trade a crime, whether it was in the public interest or not. The war was scarcely over, then, when the district at-

torneys began their march against the trade associations.

In the Hardwood and Linseed Oil cases, determined respectively in 1921 and 1923, trade associations were practically forbidden to collect and disseminate statistics in regard to past sales, stocks on hand and production. In the case of the dealers in hardwood, the Court held that the higher prices which they obtained was evidence of the illegality of the association. In the Linseed Oil case, it held that the lowering of prices was not evidence of the association's legality.

Small wonder that trade associations throughout the country were dismayed. There was a ray of hope, however, in the dissenting opinion of Justice Holmes, in the Hardwood case, who said: "I should have supposed that the Sherman Law did not set itself against knowledge." Also, in the accompanying dissent of Justice Brandeis, who pointed out that such cooperation as this did not suppress competition but only such competition as was undesirable.

These two vigorous dissenting opinions may have caused the Court to reverse itself, later in

1925, in the Cement and Maple Flooring cases. In these cases the Court held that the collection and dissemination of all such data was not only legal but helpful; however, it issued a warning in the Maple Flooring case that the information so gathered must not be used for the purpose of " urging or attempting to urge an agreement or any concerted action with respect to prices or production."

With the door thus closed against effective, co-ordinated action to give the public the utmost possible service, it is little wonder that " profitless prosperity " set in. This year of 1925 was a year of good business, and yet two-fifths of the manufacturing firms in America showed a loss. In fact, 99 per cent of all the manufacturing concerns reporting an income tax reported an average of 11 per cent reduction in net profits over 1923, while only 1/10 of 1 per cent — comprising companies with a net income of $5,000,000 or more — showed an increase of 25 per cent.

This 1/10 of 1 per cent earned 44 per cent of all the manufacturing income of that year, according to the income tax reports, and 65 per

cent of the net profits of American industry went to 1/4 of 1 per cent of the corporations.

Readers are warned not to take these figures with absolute finality, above all not to take them as evidence that the wealth of America is becoming concentrated in the hands of a few. The figures are based upon the income tax reports, and it is quite possible that the harried little business man, depending for his very existence upon his vanishing profits, did not always make out his report in the same way in which Henry Ford and the Rockefellers made out theirs.

Also, it must be remembered, the profits of many of the large corporations were distributed among millions of stockholders, while the profits of many others were not taken out of industry at all but, like the huge sum which Henry Ford was said to have made that year, were used entirely to capitalize further industrial expansion.

In a sense, Mr. Ford stands as an extreme example of the concentration of wealth in the hands of a single man. On the other hand, it would be hard to find a greater distributor and decentralizer of wealth than he; for the central

principle of the Ford industry is that wealth must be distributed broadcast — to producers in the form of highest possible wages and to consumers in the form of lowest possible prices — if the greatest profits are to be realized. And in addition to that, according to the Ford philosophy, the profits so realized must not be taken out of the business, not even to be given to charitable and philanthropic enterprises, but turned back into industry so that the general standard of living — that is the *wealth of everybody* — may be raised to a higher level.

The whole purpose of these figures, then, is simply to show the economic handicap of the small business man under these anti-co-ordination laws. He, too, could make profits, if he were permitted to co-ordinate his efforts with the efforts of thousands of his colleagues to supply the market in the most economical way. But he is not permitted under the law to do this, and his chances for profits are about what the chances of General Motors would be if every division were forbidden by law to enter into any working agreement with any other.

Ford achieved his results through one-man ownership. General Motors, however, has proven that similar results may be achieved through diversified ownership; and if everybody in America held a share of G. M. stock, it would not affect the policy of the company at all. Great profits cannot be made today through taking them away from others, or by making others poor. The great riches now result from the process of making others rich, and this process, to be effective, demands all around co-ordination. The profitless prosperity of our average business is no mystery whatever. For those businesses, whether little or big, which are co-ordinating with the whole economic scheme are making profits, while those which are not doing so, either because of lack of capital, lack of understanding or fear of running afoul of the Sherman Law, are more likely to be profitless. That they are using up-to-date machinery, and up-to-date systems of higher-power salesmanship — necessary as it is to use them — can under the circumstances but intensify the friction and render their chances less and less.

It must be apparent, then, that the small business man, *in his position as a small business man,* does not want the Sherman Law and the other anti-team-play legislation on the statute books.

The farmer sometimes imagines that he wants these laws: for the farmer, theoretically, has been "exempted," by special legislation, from their anti-trust provisions, and the government has seemed to encourage co-operative marketing. But farm co-operatives have nevertheless been blocked by court decisions in much the same way, and with exactly the same inconsistency, that industrial ventures have been blocked.

Some courts, as M. O. Tobriner has pointed out in a careful study of the subject in the Columbia Law Review, have condemned large and efficient organizations because of their *size,* while permitting the survival of those which were sufficiently small and uneffective. Other courts while setting forth the theory that agreements not injurious to the public were permissible, have assumed that certain practices, such as the withholding of produce from the market, were in

themselves contrary to the public interest and have proceeded to a decision, based not upon rules of justice nor economic data but purely upon such an assumption.

In 1922, the Government censured the California Raisin Growers' Association for holding its produce for higher prices; and yet, when the California Bean Growers Association held a million sacks of beans from the market for two years, the action was sustained in a court of law.

In the case of the Tobacco Growers, the courts have permitted combinations of growers to keep prices from being depressed by great combinations of capital; and then, in the case of the Wheat Growers, they have decided that control of the wheat market was "harmful as a matter of law."

But it is not through familiarizing himself with the court decisions but through the use of common, everyday, horse sense, that the average farmer perceives that the anti-trust laws are of no service to him. They have left the farming business flat and they have in no way prevented

greater and greater aggregations of capital, which the farmers of forty years ago hoped they might prevent.

Organized labor does not need to be reminded that the anti-trust laws are a total loss from the standpoint of the American workingman. Organized labor discovered this long ago and was instrumental in securing the enactment of the Clayton Act by which, it was supposed, unions of workingmen would be exempted from further prosecution under the Sherman Law.

But labor has not been exempt. The most vigorous enforcement of the laws, in fact, have fallen not upon combinations of capital but upon combinations of workingmen, until the whole course of organized labor in America has been one of ever-increasing protest against "government by injunction."

The Clayton Act, instead of giving the workers relief from such injunction proceedings as those of the historic Danbury Hatters case, has been interpreted in a way which workingmen generally look upon as an outrage. In the Bedford Cut Stone Case, for instance, in 1927, 24

stone companies of Indiana were granted relief by injunction against the Journeymen Stone-Cutters' Association, because its members had refused to finish certain stone-cutting operations begun by non-union workers.

These workers were admittedly innocent of trespass, breach of contract, violence, intimidation, threats or fraud. They refrained from obstructing the companies of their customers from securing other labor; nevertheless, the courts denied their right to refrain from working on a job which they did not want to work on, for reasons of their own.

Said Justices Brandeis and Holmes in a sharp dissent: "If, on the undisputed facts of this case, refusal to work can be enjoined, Congress created by the Sherman Law and the Clayton Act an instrument for imposing restraints upon labor which remind us of involuntary servitude."

Now, it is quite possible that some American employers, while they realize that these anti-trust laws are hampering their own progress, may still be inclined to let them remain on the

statute books because they hamper organized labor much more seriously. But that surely is not the spirit of American employers generally. The time has passed when crippling any section of the public can be considered good business, not to mention the moral issue involved.

So long as business was looked upon as a mere grabbing process — the process of getting one's share of existing wealth — attention was naturally focussed upon the job of keeping someone else from getting it. But that point of view has gone. We do not mean by this that no one holds it today, but it is not the point of view of modern America. The greatest discovery of modern times, and perhaps the greatest discovery in all human history, is that business is not what it has historically been supposed to be, but is the organization of man's creative powers to produce and distribute new wealth, not for some fortunate individual or group or class, but for Man.

In a word, we know today a truth which has been proclaimed for ages by prophets and seers and spiritual leaders, but has never before been

conclusively demonstrated, that we are all one family, and that the way to succeed is not through depriving other members of success but through the co-ordination of all the members for the common good and for the success of every individual everywhere.

We could not see this as a practical principle before because, no matter what our religious and social ideals might be, we were never before able to see Mankind in action. It required modern science and modern industry to give us such a vision. Heretofore, we have said that men *ought* to act collectively, but in modern industry we note that they *do*.

Modern industry is Collective Man. It can be perceived in no other terms. It is the child of modern science, and modern science is a realm so extensive that nobody can hope to be a master in it, and the most that anyone can look forward to is a life of unending research along some special line, and a useful and modest place in the universal scheme. No individual knows how to run this industrial machine, and the greatest executive is simply the man who organizes this col-

lective knowledge for collective use. He that is greatest among us *is* the servant of all. He may, it is true, be selfish as a Nero: for the trouble with Nero was not that he acted in his own interest, but that he ignorantly supposed that he could achieve his own best interests by ignoring the interests of others.

It is not self-interest, but ignorance of where one's interest lies, which the modern machine is eliminating from human life. We know now that it does not lie along the path of greed, no matter to what extent that greed may be tempered by morality. A generation ago, it was a maxim in all the copy-books that " honesty is the best policy," and although it meant much to society to have learned even that, it still left people working against each other, the better element being distinguished from the worse only in that they obeyed certain rules while doing so.

We know now that honesty is not enough. We know that service is the best policy, and that the way to success is not through remembering merely the rights of others but through giving them the best service we can.

In the light of this new understanding, modern business is perceiving the necessity of co-ordination for better service all around, but it cannot achieve such co-ordination legally, while the Sherman Law and other anti-trust statutes stand in the way.

No group in modern America wants to prevent this service from being rendered, and it was not the purpose of the law to prevent it.

But neither was it the purpose of the law to prevent grabbing and to substitute the principle of service instead. If such were the purpose, and the Supreme Court could thus construe it, there would be little difficulty now. The trouble is that the Supreme Court, however inconsistent its course may be, is consistently bound to consider the intent of the law; and the intent of the law was not to substitute the principle of service for the principle of grab but to keep Big Business from grabbing so much that the game of grab could not be played by everybody.

The fact that American business, large and small, has in the meantime come to perceive the

futility of the whole game of grab, and has eagerly adopted the principle of service instead, happens to be fact of which the Supreme Court can take no judicial notice. Nevertheless, it is a fact of supreme importance to all America.

CHAPTER TEN

World Relations and World Service

Theoretically, if the Anti-Trust laws were repealed, Big Business could play the game of grab so unrestrictedly that all the little fellows would soon be swallowed up. Actually, Big Business does not want to play any such game. Big Business, according to all the reports, is doing very well and can endure the present situation more contentedly than any other group. Big Business, as a rule, is not suffering acutely from profitless prosperity, and its opposition to the law is not based upon the fear of being put out of business completely, but upon the recognition that, with these restrictions removed, it could serve the public to still better advantage.

The small business man of today, moreover, instead of shaking with fear that the " Trust "

may swallow him up, is more and more anxious to lose his independence, either in some merger or in some working agreement with the whole trade.

Since neither business, large or small, nor the farmer nor the working man is getting any benefits from the laws as they exist, one may wonder why the laws have not been repealed.

Laws do not make a civilization. They try to keep up with it but they seldom succeed. Society changes long before its laws do. The minds of people undergo transition long before their new point of view can be formulated in any literal creed. Our laws and our creeds, at best, are always a lap or two behind our consciousness, and our consciousness lags behind our acts.

America for a generation now has been finding its way toward industrial co-ordination, while vigorously prosecuting laws forbidding it. In the long run, this may have worked out well: for co-ordination is not so much a method to be installed as an art to be learned, and one is not likely to go far with a new art if he begins by adopting a rigorous constitution and by-laws

to govern it. The rules governing the art of co-ordination could never have reflected in statutory law up to the present time: and he would be a bold advocate who would suggest a codification of those rules today.

Fortunately, it is not necessary that even the Sherman Law shall be repealed. All that is necessary is that it be amended in such a way as to exempt from its prohibitions any combination in restraint of trade which shall be *in the public interest.*

In the Appendix of this volume, the writer has set forth the amendments which he considers necessary. They are simple amendments and may all be summed up in that one phrase — "in the public interest." This would leave the Government free at all times to prosecute all predatory combinations, while it would leave business free to serve.

It might, to be sure, lead to the establishment of some monopolies, but the government would always be in a position to regulate them, instead of forever trying to restore competition where competition cannot be restored, or where,

if it were, the public interest would be sure to suffer. Everyone knows that we have many monopolies now, and some of them are surely serving the public interest.

A question naturally arises as to what, under the law, shall constitute the public interest. Courts, even the Supreme Court, are not free to act as economic tribunals but must be bound by rules of law instead. For this reason, the writer advocates an extension of the personnel and powers of the Federal Trade Commission, so that it may become representative of every major phase of our economic life — employers and workers and farmers and financiers and recognized economists — and pass acceptably upon economic practices as they arise, instead of trying to lay down general rules for widely divergent activities.

A problem naturally comes up as to the lawful profits which a monopoly should be permitted to receive. That any enterprise, if satisfactorily conducted, is entitled to a reasonable profit, very few would deny. But it would not be an easy problem for a political congress to

determine what a reasonable profit might be. There is an argument in favor of establishing a fixed legal rate of six, or perhaps eight per cent, much as the legal rate of interest has long been established. But it has been fortunate for America that no such legal rate has been fixed in the case of the electric power industry, which is a monopoly in most American cities, for this industry has been built to its present proportions largely because it was so profitable. If its profits had been restricted to any fixed percentage, there is reason to believe that Americans would have but a small fraction of the power which is at their disposal today, and that this power would be available only at a much higher cost.

Profits in our new world must be substantial and for all. Profits, even though not as universally distributed as some would like, or for that matter even though not distributed as widely as they ought to be, nevertheless are the root of all that we hope for from this industrial civilization. Profits must grow and ever be with us. Profits in ever increasing volume are essential to

the continual development of industry in the broadest public interest. American industrialists really need no curb on profits. They know that increased profits come with better service, better goods to a larger number at an ever lower price.

But these are problems which cannot be settled except as they arise. It is certain, however, that the Sherman Law must be changed, to permit co-ordination in the public interest, if American prosperity is to continue its development, and unemployment and poverty abolished from American life.

Changing the laws, it must be repeated, will not itself effect this result. It will, at best, only permit the industrial co-ordination which will in time effect it. In the meantime, industry cannot wait. It must go on with its discoveries. It must find out how to co-ordinate, how to employ everybody constructively, and how to endow everybody simultaneously with sufficient purchasing power to buy back the enormously increased volume of production which would result.

American industry must find out how to do all this, and must go ahead with preparations for doing it, whether it is legal to do the actual job or not.

It will not, fortunately, be necessary to break the law. Once let American Industry meet in an all-industrial conference, once let it develop a plan by which everybody can serve best and become rich, and once let it publish that plan with the explanation that only the Sherman Law stands in the way of its immediate adoption, and no one need fear that the law will not be changed.

If it were merely advantageous for industry to take such a step, there is every reason to believe that it would do so in the near future. For American industry is alive and its leaders are quick to recognize new opportunities. But the step happens to be more than advantageous. It happens to be imperative.

For in all other modern countries, especially in those with which America seems to be competing most strenuously, the political governments not only permit but encourage co-ordination.

The art of co-ordination and the fundamental economics of the principle have not been learned in any other country to the extent that they have been learned in ours. Even in Germany, where manufacturing and marketing have been mobilized in cartels, with government support, so that all Germany can march as an economic unit into any territory which offers a prospective market for German goods, the relation of good wages to good business does not seem to be understood as it is understood by American manufacturers.

German wages are very low and American wages are very high. This constitutes the great argument in favor of the protective tariff. Without the tariff, protectionists all agree, we could not possibly compete with Germany. However that may be, it is still more obvious that, without our high wage scale, we certainly could not compete with her. For without high wages, American workers could not buy American goods on the scale that they are buying them today, and the greatest market of all would be lost to America. To be sure, they could not buy Ger-

man goods either, for this market would be lost to the whole world; but American manufacturers, if they hoped to continue manufacturing, would have to depend on foreign markets over which they have no control.

To gain control of such markets would necessarily become the aim of American industry, as it has hitherto been the aim of other industrial countries. But gaining control of markets and of raw materials is now a most disturbing thought. It is the economic aspect of war. So long as private business organizations compete with other private business organizations to gain such ends, the prizes may go to the highest bidders and the economic welfare of the world advanced. But when the game is played by nations, and political and military measures are taken to gain those advantages, the welfare of the whole world is jeopardized.

Wars do not come because of militaristic ambitions or because of the pugnacious tendencies of the well-known human race. Practically all the nations in the last great war were peace-loving nations, and the most that militarism

dared to do was to set up the cry of National defense. Wars arise out of economic competition and the only absolute guarantee against them is economic co-ordination.

It marks a step ahead, undoubtedly, when the nations agree to outlaw war, or promise not to resort to fighting, at least, except for very special causes named in each nation's list of reservations. But when these sacred reservations are analyzed, these reservations which are so dear to each signatory nation that it is willing to blow up the world rather than to leave their settlement to an impartial tribunal, each reservation is discovered to be an economic interest.

Even if there were no reservations listed, an agreement not to fight is no guarantee against war, for the most solemn treaties have a way of degenerating into scraps of paper when they run counter to a nation's economic interest.

This is being perceived in Europe and international combinations are coming into existence. If all Europe can agree upon a steel program, or a chemical program or an oil program, not through a mere political agreement but through

making one giant international merger out of the already nationally merged units in each of these industries, war between European nations will be to that extent averted.

But those international combines do not include America. They cannot. The laws of America do not permit it. Not that there is any special statute directed against international co-operation but the anti-trust laws do not permit our industries to unite as industries for concerted action anywhere, with one exception which we will soon discuss.

In America, Steel, Oil and Chemicals must go on competing. The several companies within each industry must go on fighting all the other companies. They cannot become a business unit and they cannot even agree upon an end to be achieved. This automatically lets them out of any world combine, with the net result that the International combines which are being formed are being formed against America. In fact that part of our amended Anti-Trust law known as the Webb-Pomerene Law intensifies this situation.

America's economic supremacy is just now unquestioned, but it is not unchallenged. That we are economically supreme, in fact, is forever gaining us enemies instead of friends.

The nations owe Uncle Sam upwards of twenty billion dollars, and they seem to want him to cancel this debt. Uncle Sam cannot see the point. He is in no hurry for the money. If cancellation would do any good, he might be persuaded. But the cancellation of debts is the negation of credit; and while Uncle Sam may not be a perfect economist, he does seem to know that modern business is a fabric of credit. The world cannot go on if credit be destroyed. The nations cannot continue as nations, and human life must revert to some pre-industrial state.

On the other hand, Uncle Sam must know that the payment of these debts would be disastrous to the ends which he has in mind at present. These debts if paid, must be paid either in money or in goods. If paid in goods, their payment would entail an industrial collapse at home. But, to be paid in money, the debtors must first be permitted to accumulate this money, and the

accumulation of such a sum must involve their triumph in the markets of the world; and Uncle Sam is not keen for their being thus triumphant. Uncle Sam himself has aims in that direction.

This dilemma, critical as it is, and fraught with world peril in that it might at any time precipitate another world war, is not one which need necessarily turn out that way. World disaster is inevitable only if the present unrestricted competitions are continued. The situation may be compared in a way to the old-time competition between communities in America, and the new way out of the distress which that competition so often brought. Cities vied with each other to get industries. They offered tax exemptions' subsidies, and all sorts of inducements. Sometimes they gave free sites, sometimes they built plants; and the industries which arrived in the new location did so, not because it was the best location for them, but because of these inducements. If the locations were not economically good, the industries sooner or later shut down, leaving the community in a worse state than before. Present-day community com-

petition avoids all this. Intelligent moderns know that the industries a community should have are those which naturally can best function there. Such industries build up each community, but at no other community's expense. When local governments and local committees of business boosters were each going it alone, the real principles of industrial and community expansion were lost to view. In modern American communities a better way has been found, largely through the services of the great, interconnected power transmission systems which have had a selfish interest, to be sure, in serving each community, but an interest which was not so narrowly provincial.

There is, as yet, no economic unit which is in a position to perform a similar service on a world scale for competing national groups. We see the beginnings of such a unit, perhaps, in the International Chamber of Commerce. We have already had a number of international economic councils, and the American Bankers Association, through its president, has called for coordination of the world's banking. Big Busi-

ness, both in Europe and America, is certainly taking on an international view, and in time it is inevitable that there shall be some world-wide guidance of the world-wide industrial processes, if the world is not to be destroyed in war.

This perception was reflected in America in the passing of the Webb-Pomerene Law permitting American industries to combine in the export trade, providing such combination shall not tend to restrict the operations of any company within the industry or any having an export department operating in the same foreign field.

The Webb-Pomerene Law, however, does not permit American industries to enter into international combinations, nor to operate in the world field upon a program based upon world service. This law, in effect, says to the world "In so far as our home industries are concerned we have the anti-trust laws, but when it comes to getting foreign trade and fighting with you for foreign markets, we are going to let our industries unite against you." It is quite true that one of our export trade associations could work out an agreement with a foreign cartel to

divide or cut up a foreign market, but that is usually impossible because the foreign cartel wants certain rights in this country and when such a proposition reaches our shores it becomes unlawful forthwith.

The Webb-Pomerene Law was to some extent a liberalization of American industry, but the world situation makes far greater freedom necessary. World industry, in a word, must solve the problems of world industry — not by balancing the interest of nation against nation, but by the discovery of a program which shall serve the whole world. American industry, which has gone so far in discovering the laws of such co-ordinated service, should be leading this movement, instead of tagging so far behind it. In fact, such leadership is imperative. Only by a world program of world service can the American debts be settled in such a way as not to bring disaster upon America and upon the world, and only through such an economic and industrial program can the world be saved from war. All that is needed is that America shall be America. The Sherman Law is not America.

The Webb-Pomerene Law is not America. Ancient American notions are not necessarily America. The America we are living in, the America whose history has been outlined in this volume, is an industrial civilization in which, for the first time in human annals, the principles of all-around service to all have been discovered. The working out of those principles requires no change in human nature more than the change which has already occurred. There is no need for the abolition of unselfishness, for the interest of everybody is seen, in the light of these principles, to be in line with the interest of everybody else. It is hardly necessary that America shall achieve a new point of view. All that is necessary is that she shall revise her formulas in harmony with the point of view which has been achieved.

The way to world peace, and the only way to world peace, is the way of individual success. It is the way which everybody wants, and it is the way which, when once explained, every American can be depended upon to work for with characteristic American energy.

The way to peace in an industrial world is necessarily an industrial way: and that is the American way. For America is industry. Industry is America, and the realization of the destiny of industry is the realization of human life.

CHAPTER ELEVEN

What the Individual Business Man Can Do

The average business man, no matter how cordially he may welcome any movement which promises to put an end to his present profitless prosperity, may imagine that there is very little which he can do toward bringing such a movement into effective action.

For his present business, profitless though it may be, still demands his whole time and attention. Because it is profitless, in fact, he cannot contribute of his capital toward any further institutes and other national organizations, no matter how worthy he may consider them to be. For the profitless business demands the constant use of every available dollar and of every possible hour of the business man's time. He may believe in a particular movement. He may hope

for its success, and he may trust implicitly in the character of the men directing it. But he cannot sacrifice for it, either with his time or money; and he may even now, as he reads these words, be steeling himself against some appeal to such a sacrifice.

Fortunately, however, there is no occasion for such an appeal. Co-ordination begins at home. The greatest contribution which any business man can make to it is to make his own business a success. After that has been accomplished, Mr. Business Man may help his neighbors; but until he has learned the way of success he cannot point it out very definitely to others. No one who does not follow the principle of co-ordination in his own business can make a success today, and it is the compulsory co-ordination which has occurred and which is daily occurring within the individual business organizations of America which is producing the psychology which will one day make universal co-ordination possible.

The "great man" theory of history is pretty well exploded in America. Hero wor-

ship is no longer in vogue. We have, to be sure, an abundance of good, human material in America, and one profound student of the situation has recently set forth the interesting thesis that we have developed a great overproduction of first-class brains. Nevertheless, our successful men are not supermen, and it is well that the fact is being generally recognized.

The executive head of a profitless business is likely to be quite as clever as is the man whose net profits are running into the millions. He may even be more clever. It may be that his cleverness is tripping him up. It requires cleverness to be an expert bargainer, while one does not need to be exceptionally clever to understand that the day of bargaining has passed.

Sharp bargaining implied getting the best of the other party to the bargain. Common sense today demands that the practice be abandoned. Sharp bargaining requires brains, but using one's brains today against the other fellow is equivalent to using them against one's own best interests. The key to success, then,

does not lie in the development of such super-acumen, but in a simple understanding and a simple acceptance of conditions as they are. The trouble with many business failures is not that they are lacking in ability to play the game, but that they have not perceived that the game which they are playing is one which is no longer being played.

Those who are succeeding are succeeding through "co-ordination." They may not be exceptionally brilliant, but they are devoting such talents as they have to the learning of this new art.

The substitution of scientific research for mere inspired opinion is an expression of this principle. So is the modern sales forecast and the planning of a production schedule in accordance with it. Few businesses can succeed today without adopting the budget system, — a system which was utterly unknown to the average business man of a very few years ago; but, budgetary control is only another expression of the principle of co-ordination.

To make a business succeed it is now quite

generally understood that it is first necessary to comprehend just what the business is. It is necessary to see it in all its aspects and to relate every activity to every other activity. Production must be co-ordinated with sales, and both must be brought into harmony with the financial structure. Every machine, every salesman and every dollar must not only be kept steadily employed, but each must be kept employed in reference to each other. The reduction of inventories and the consequent release of capital are now compulsory. Equally compulsory are the good will of the workers and cheerful co-operation in the selling force. It is not sufficient that the workers shall have a fair wage. It is necessary for the business that the workers shall *understand* that these wages are fair and that they are about all in fact which the industry can afford to pay. Workers will work cheerfully even when wages are not high, if they have confidence in the intelligence of the management and they know that the management is working conscientiously for them. But they will become discontented, and rightfully so, even

with high wages, if they once suspect that the management would like to make them lower.

What we have said of the workers is equally true of the consuming public. The public will not readily buy even that which it wants, if it has any misgivings that it is being cheated. Public relations, then, have become a vital part of every modern business. The modern business man, in his own interest, must be public spirited. If he does not like the public, he must learn to like it, and since his competitors are a part of the public, he must learn to like them too.

"Thou shalt love thy neighbor as thyself" is not an utopian pronouncement. It is an actual law of modern business. And until one comprehends that law the highest self interest cannot be expressed. It is not selflessness, not the spirit of sacrifice, which the world needs today, but a plain, common-sense acceptance of the mutuality of human living, and it is in the very organization of business on business principles that this law is being discovered.

The best contribution, then, which an individual business man can make to the much de-

sired movement for all-around co-ordination, is not to join some society having such co-ordination as its goal. The first and most necessary thing for him to do is to co-ordinate his own business. If he does that successfully, the next steps will surely follow. But if he does not do that, he will contribute to a situation of suspicion and disorder in which all-around co-ordination cannot take place.

If your business is a legitimate one, it is to everybody's interest that you shall succeed. For you cannot succeed today unless you serve the public well; and the more you learn about how to succeed, the better will everybody be served.

Mr. Charles M. Schwab, when pressed to give ten rules for business men as a New Year's Greeting in 1929, began by urging them to pay the highest wages possible. Such a greeting could not have been comprehended ten years before. For this was the greeting of the new order in America. It was another way of saying that business must be born again. It must take on the new spirit. It must operate from an altogether different point of view. Getting is neces-

sary; but getting nowadays begins with giving, and only as a business is thoroughly imbued with this spirit of giving does it now have a good prospect of success.

Giving the highest wages possible is much more necessary than giving high wages. Conceivably we might have a situation of so-called prosperity in which the different groups of society are still in a state of war. Such a situation is not likely, but it is conceivable; and no heights of material prosperity which such a civilization could attain could bring about real, human happiness. This new spirit of business, however, can bring about such happiness, and the prosperity attained in such a spirit will be something more than material. Starting with a will to serve, or, if you will, a thorough understanding that business is service, the things which once loomed up as problems will no longer rise to haunt the business man.

Take the problem, for instance, of whether one shall continue as an independent enterprise or sink his individuality in a modern merger. To many business men of the old order this is a

perplexing problem; and to those who think in the spirit of the old order it may be a problem which only dire necessity can solve. To approach it from the old, sharp bargainer's standpoint may be equivalent to not approaching it at all. For the merger evolved in a bargaining spirit is quite as capable of failure as were the units of which it was composed. Because chain stores were successful, for instance, some shrewd, old-time capitalists have contemplated and projected what seem to them to be bonanza chains. But they have not thought of the service which these chains could render. Their minds have been fixed solely on the profits which they could immediately bag. Some of the more notorious have not risked their own money in these ventures, and have not given to them the constructive business organizations which they might have given if their own money had been risked. These chains started under a terrific handicap. If they do succeed it will be through the elimination of almost everything which was originally put into them, except the money.

The old-fashioned trust dreamed of monop-

oly based upon the principle of "the public be damned." Some of those trusts were successful, but only as that principle was progressively abandoned. It is a truism today to proclaim the principle of "the public be served," but there is still danger that otherwise intelligent business men may sometimes overlook the principle. In this problem, for instance — to merge or not to merge — the service principle is the only safe principle, and he who approaches the problem in a profitseeker's state of mind is treading on very dangerous ground.

If the proposed merger would demonstrably give the public far better service than could be given without it, the merger may be accepted as a sound business venture. If not, no possible financial backing will be strong enough to keep it from going the way of scores of the old-fashioned profiteering trusts, whose skeletons have lined the path of American industrial progress.

The reader may be running an ice business, or a lumber yard, or he may be managing the trolley system in a town where everybody and his wife seems to have an automobile. In any

case, he is likely to be confronted with problems which did not exist ten or fifteen years ago; and if he thinks of his business as he was bound to think of his business ten or fifteen years ago, almost any move he makes may result in failure.

For ten years ago an ice man almost inevitably thought of himself as an ice man. Electric and gas refrigeration had no meaning to him then. He was dealing in ice; his capital was all tied up in ice. Selling ice was as far as his business vision could reach, and the purpose for which ice was bought was a matter with which his mentality did not have to deal.

But this situation has all been changed. Today the ice man cannot afford to deal in ice. He may handle ice. He may sell it. He may even sell it successfully. But not if ice is primarily in his thoughts. What he must be thinking about is not ice, but refrigeration. Not the commodity, but the service. And this applies no less to the ice man than to the dealer in gas and electric appliances.

There is still a place for ice in the modern world, and so long as there is still a place for ice

there will be a place for the ice dealer who is doing his best to supply the public's need for refrigeration. But if the ice dealer forgets the purpose of ice and tries to sell ice instead of selling the best possible refrigeration service, he will find himself hopelessly bucking the economic current. When a business man no longer serves the public as well as the public can be served, it is time for the business man to change his business.

Similarly there is still need for the trolley car. Few of our cities could get along without them. But the trolley car is needed only where it gives the best available transportation. If better service can be given by buses and jitneys, it is time for the rapid transit company to pull up its tracks and organize transportation on a better basis.

Surely the lumber business is not obsolescent, but the lumber man who thinks only in terms of lumber, rather than in terms of building, is an obsolescent type of lumber man. Where brick, steel or cement can serve the builder better, the intelligent lumber dealer

should be the first to know about it. To fight the new synthetic boards as a menace to his business is a suicidal policy. For he, like every other modern business man, has just one business, and that is to serve the public in the best way in which it can be served.

Another problem, which ceases to be a problem as soon as it is examined from the modern point of view, is the problem of the trade association. Some business men still hesitate to join with their competitors, still hoping to outwit them in certain business practices. To be sure, they never do outwit them. The most they usually accomplish is to outwit themselves by exhausting their capital in price-cutting. But there was a time, many years ago, when men did seem to succeed by preserving their trade secrets, and these men seem to be unaware that that time has passed forever. The man who succeeds today is the one who not only gives the best service, but helps his competitors to give the best service. No one need have any hesitation or reservation in following such a policy. The roster of business leadership today is ample proof of

this. Modern business is dealing in service, and its great executive positions are waiting for those who know how to organize this service on the widest possible scale, and are willing to abandon themselves passionately to the task. He who sees this will not hesitate to join his trade association; and where he finds that the ideals of the association are narrower than his own, he will devote himself energetically to extending its horizon.

He who gets this modern point of view will not only co-operate with labor and with the purchasing public, but he will co-operate with his competitors and with all the existing social forces. He will co-operate with the banker, the lawyer, the industrial consultant and the educator, instead of using them, as he has tried to use them in the past, to help him out of difficulties which non-co-operation has brought.

The banker may not always seem to be a constructive mind. But the real modern banker is, and all bankers prefer to be. The banker, who is taken into full confidence in all business matters, can be a help to every business man.

It is the banker to whom one lies, or whom one tries to bluff in the vague hope of acquiring credit where credit is not due, who cannot co-operate. And it is the lawyer who is brought in to defend wholly indefensible practices who becomes an expense rather than an asset to one's business.

The best time to use a doctor is when one's health is good, and the best time to use a lawyer is before one gets in trouble. The lawyer, like the banker, may not know so much about an individual business as the individual owner of that business does, but if he is a modern lawyer or a modern banker he is likely to know much more about the relation of common business practices to the law, finance and to the general business structure.

Co-operation with the schools and colleges and co-operation with the press will also come naturally to the modern business mind. And by co-operation we do not mean bargaining. It is high time that that difference were well understood. The foolish business man, who hopes to control the newspaper through advertising, or

the colleges through benefactions, cannot wake up too quickly. The most that such a course can accomplish is to implant suspicion, not only of one's business, but of the newspapers and the educational institutions.

The newspapers want to tell the news. The educational institutions want to teach the truth. Often the newspapers do not know what the news is, and when news is given to them they may misinterpret it. Likewise, the teachers may not understand business and they may indulge in wild theorizing, which, to the business man, will seem pernicious. But the remedy for such a situation is not to withhold the facts. Such a course cannot result in anything but increasing the suspicion. Give the press the facts. Give the schools the facts. Give the facts even to hostile investigators, and when they misuse the facts, give them more facts. In that way, and in that way only, can suspicion be eventually dissolved and the educational institutions come into constructive co-operation with our business enterprises.

The writer believes and has emphasized in

these pages that the time has come when American business must devise some machinery of co-ordination. But the writer can devise no such machinery. No theorist could devise it, and no great business genius, no matter how practical, could devise it, until such time as the business mind of America is in a mood to incorporate the mechanism. When that state of mind has been reached the machinery will be evolved; and there is no limit to what we may then accomplish in actual, human values. But utopianism will not serve the purpose. This liberation, this world emancipation, this realization of age-old hopes and dreams will come only as the business mind of America comes to comprehend the nature of the business in which it is engaged.

CHAPTER TWELVE

Conclusion

Co-ordination is a simple principle, but it is by no means an easy task. To argue that it is would be to place the writer in a class with those easy theorists who talk so readily of government taking over the industries. Co-ordinating our industries for peace is in every way as difficult as co-ordinating for war. It will not and it cannot be exactly the same process, but it must involve an inventory, not only of all our resources, but of all our manpower and all of our human needs. It is so gigantic a task that no power short of American industry itself could undertake it. In the first place, although we may recognize the acceptance of the service principle in America, it still remains true that the vast mass of our workers are still working for wages; and

they are held to their jobs by the feeling that the income from those wages is in all probability better than they could get through quitting. If there is a factory in America in which the workers would still continue to work if they were offered an increase in wages for staying out of it, the writer does not know where it is situated. He does not blame the workers for this. Great as the progress of labor has been, and glorious as is its status today in the more advanced industrial organizations of America, it would be foolish to expect continued, loyal service if the fear incentives were all taken away and no other incentives were substituted.

And yet, if American industry were to co-ordinate in the way that it must co-ordinate, many of the present incentives will be necessarily removed. For such co-ordination can leave no room for unemployment, for economic insecurity and for the fear of losing one's opportunity to participate in a high standard of living.

General Motors today, or General Electric, may employ extra men as needed, and when the

peak business which called them into employment has passed they may lay these men off, or else lay off older employees who seem to be less efficient. Any arbitrary compulsion, in fact, necessitating the retention of these men when they are no longer needed, would be a direct violation of industrial principles. Henry Ford, after making a fifteen year record for steady employment, was compelled to lay off 60,000 workers in one fell swoop. This was not only Mr. Ford's right, but it was his necessity. Not even society as a whole could afford to have such masses of workers drawing high wages, when there was no work for them to do. If industry is co-ordinated, however, while it will still be necessary to take men off their jobs when these jobs have been completed, it will not be necessary to condemn them to unemployment. The business advantage of this can easily be seen. All Detroit slumped because of the Ford lay-off. All business, even the business of Mr. Ford's closest competitors, was affected, and there was an altogether unreasonable, but still understandable, outcry against Mr. Ford — many business men, who easily change

their own working force from 5 to 10 men and back again to 5, strangely joining in the outcry.

The real trouble was not in the Ford organization. The real trouble was that industry was not co-ordinated outside of the Ford organization, and that when Mr. Ford laid off these 60,000 men American industry had no place for them.

The need for their labor was as great as ever. People did not suddenly cease wanting things because 60,000 men had ceased to be producers. They wanted as much as ever. The 60,000 wanted as much as ever. They were all potential consumers and potential producers. But, because they were no longer actual producers, they necessarily ceased in a great measure to be consumers, and because they ceased to buy as they had been buying, business slowed up everywhere and other thousands of employees in other industries were consequently laid off.

If business were co-ordinated so that the available working forces of America could be kept at work producing the things that everybody wants, no such vicious circle of unemployment could develop. But no such co-ordination

can occur until industry outlaws idleness and business men come to perceive generally that unemployment is not only anti-social, but anti-business, and cannot be tolerated.

It is asking a great deal of business to recognize this principle: for business, up to the present wonderful times, has always been considered a very private matter. And while private employers have been able to develop all sorts of civilized and humane attitudes toward their employees, they cannot, in their capacity as employers, be particularly good to those whom they do not employ.

The new art of industrial relations seems to have ignored this fundamental principle. We have learned much about how to treat workers, but we have learned almost nothing about how to treat non-workers. However, it is the successful treatment, not of the employed, but of the unemployed, which is our vital problem now.

To solve this problem American industry must find a way to guarantee a job to everyone, and it must then devote itself to training everyone to work to the best advantage.

This is so gigantic a task, however, that industry, no matter how advantageous the step might seem, could hardly be expected to take it willingly. Fortunately, however, the step is more than merely advantageous. It is imperative. It is the only way out. All other steps must lead either to intensifying the present problem of overproduction through inability on the part of the public to purchase the ever-increasing volume of manufactured goods, or to bring industry under political control, with all the deadly consequences which every genuine American must dread.

The problem, although a tough one, is not unsolvable. In fact, the phase of the problem which seems most baffling is the very phase which America has been doing most to solve; that is, the phase which has to do with the existence of economic classes.

Americans are fond of saying that this is a country in which class lines are disappearing. This happens to be true, but its significance is not generally grasped. Here is a working man of yesterday, for instance, who now has 10,000

men under him. He knows the lives of the working men and is almost incapable of assuming an aristocratic attitude toward them. He is proudly, often blatantly democratic. He is proud of his humble origin, and of the fact that in his country only merit wins.

Now, all that he says is true. Class distinctions do not figure in his consciousness. In his understanding of the situation there is an equal opportunity for all, and there is no reason why employer and employee should not meet as equals. That is the way, understand, that he *feels* about it. And it marks a tremendous forward step in our social order when the leaders of that order can have such feelings. Emotionally, class lines have disappeared in America. But literally and objectively they are still with us. For, no matter how intense this man's Americanism, he still cannot treat his working men as equals. For the employer has an advantage over them; an advantage which amounts, sometimes, almost to a matter of life and death. He can discharge them. None of them can discharge him. He cannot condemn them abso-

lutely to lives of unemployment and poverty, for they may be able to find jobs elsewhere. But he can take away from them their present security. He can send them out in the world to begin life's struggles anew, at an age, perhaps, when they are unfitted for it. In fact, if the average employer did not have the right to discharge an employee, he would rightly feel that he was no longer master in his own house, and that his most sacred rights had been violated.

We may go even farther than that. We may admit that employees who cannot be dislodged from their jobs are likely to degenerate into worthless routineers, if not into all-around nuisances. The way must be left open, if there is to be any industrial progress at all, to remove people from positions which they cannot creditably fill.

But that is not being done in America today. Our industries only imagine that they are eliminating the unfit: for they are not eliminating, and cannot eliminate the unfit from our industrial system. Each industry can show the door to the unfit applicant. It can pass him on

to the next industry, or to no industry at all. But that is no more eliminating the unfit than the old practice of shipping hobos to the next town was eliminating the hobo. The more communities engaged in this practice, the worse the situation was. The more hobos they shipped, the more there were to ship.

Managers, obviously, must retain the right to man their organizations. The only "right" of which co-ordination would deprive them would be the right to condemn unsatisfactory workers to no employment at all. Co-ordinated industry need only complete the job which uncoordinated industries are doing now. All these industries are scouring the country for first-class employees. All of them, of necessity, are employing second-class and third-class employees, understanding that we could not have very extensive industrial operations if only the superexcellent were employed. It is the fourth-class and the fifth-class whom they refuse to employ, except in such emergencies as the war brought about when everything faintly resembling labor power had somehow to be utilized.

It is this fourth-class, however, and this fifth-class, who need employment most. It is they who are least able to look out for themselves. If we could make a practice of employing the incompetent, the competent might somehow find a way to get along. "God," we say, "helps those who help themselves," and our godly industries make a practice of co-operating with ambitious, self-reliant and even brilliant workers in every way they can, while giving no help whatever to those who are least fit to look out for themselves.

The text, "God helps those who help themselves," it may be well to remember, cannot be found in any authentic Holy Writ. It developed out of American life long before American industry had learned what it knows today. Not helping people who help themselves, but helping people to help themselves, is a more modern Americanism, but it is an ideal which industries, until they are co-ordinated, cannot possibly achieve.

Everyone can see the advantage of all being employed, but individual employers cannot risk diluting their own organizations by employing

those who need employment most, just as they cannot risk paying those whom they have employed at a higher wage than their competitors are paying. To make employment universal, and to make the wage scale adequate to meet our business needs, our industries must learn to act in concert.

The day that they do this, America will truly become America. Not merely will prosperity be stabilized, but the rule of class will for the first time in human history utterly disappear. Then, for the first time, the fact that one is living will carry with it a full right to live. No worker will have to ask for a job. He will simply have to ask where it is. If he proves incompetent when he comes to take it, he will no doubt be transferred. He will not be transferred to poverty and to the feeling that he is of no use to society, and that society is of no use to him. He will be transferred, undoubtedly, to other jobs which he cannot handle well, and it is quite conceivable that large numbers of workers may be discovered to be so incompetent that they will not be worth what industry is paying them.

But no one need shrink from co-ordination because of such a possibility, for this possibility under co-ordination is an absolute certainty without it. That there are millions of incompetents, and worse, today, no one will deny. Many of them are hopelessly unemployable. Many of them are so unrelated to industry as to think of themselves as permanently belonging to the underworld. They are at war with society. They hate it, and although they do not win anything of consequence to themselves, they exact from society a fearful toll. Many others simply degenerate and rot. We have them in our alms houses and asylums for the feeble minded. We have them on our charity organization lists. We are feeding them with doles and are spending hundreds of millions upon them in routine charities, without the slightest promise of improving their condition.

What they need, obviously, is the discipline of work: not of mere toil, but of constructive participation, to the best of their poor abilities, in our great social effort. But this is not their need alone. It is quite as much the need

of business. It is quite as much the need of all America.

One need not be Utopian. It may be a long time before the submerged tenth of society can be brought into such a healthy relation to the body politic so that incompetence will tend to disappear. But the day that industry first decides to act in concert, that day the great change will have occurred. For society, which hitherto has been warring upon the weak, will then for the first time be extending a helping hand.

As to whether people will work if the great fear of utter ruin be removed from them, there is little need for discussion now. American history proves that people do work in proportion to their emancipation from all such fears. Once it was supposed that no one would labor except under the lash, and through thousands of years of darkness and slavery this was taken for granted. But it was not true. The free worker proved incalculably more competent than the slave, and the worker who was raised above the poverty line has uniformly proved more competent than those in whom hope was strangled and ambition

did not dare to raise its head. The modern American worker has proved himself the most competent worker in all history; and the less he worries about losing his job the more competent he is. In fact, it is the wealthy in America who are working hardest and most constructively: for it is only those who have permanently passed from the realm of economic fear who bring to their jobs the whole-hearted devotion for which the new generation of great American industrialists are noted. They are our industrial managers today. They are working as they do, not because they need more money, nor because they have any personal fears whatever, but because they have reached a position which enables them to understand the social significance of their jobs.

But they are men — just typical American Men. They are the stuff out of which America is made. Mostly, they have come up from the ranks; not, as they will tell you, through their own unaided efforts, but because the social character of the machine which was in the building — a machine whose principle was co-operation and the necessity of everybody working for

everybody — needed men from the ranks to undertake its management. Such men could not have been found among the privileged classes. They could not have come from aristocracy. They could not have been produced by special training in the domination of underlings. It took America and the American Industrial system to produce such workers as these, and it is their destiny that they shall so co-ordinate this machine that it shall do for the worker everywhere what it has done for them.

These men know that they have not "fought their way to the top." A few years ago they might have been written up that way in magazine articles, but that was in a temporary era of bunk. Getting to the top had always been looked upon as the supreme human achievement: for the masses were ever condemned to drudgery and suffering, and only the few could enjoy life's rewards. But that concept is alien to America. America, if her history means anything at all, is not a prize for men, but a society for man. And man, to be great, must be a great co-operator. He cannot fight against the world. He must fight

with it. He cannot be governed by fear. He must be released for service. Undoubtedly it will require a great deal of education — propaganda, if you will — before this new understanding of industry can be generally grasped and all-around co-operation fully achieved. But the fact that the step will require such an awakening of America will not permit us to wait for the awakening before taking the step.

For we cannot abandon machine production, and our progress must inevitably pursue the line which machine production indicates. This is not fatalism. It is a mere perception of the fact that everything in the universe is bound by the laws of its own nature. Human nature is creative and must abide by the laws governing creation. Human nature is co-operative and our industrial machine has made us thoroughly conscious of this fact. Just now it is making our most rock-ribbed individualists aware of it. They cannot go on according to their old conceptions. They must merge and combine. Profitless prosperity and profitable prosperity are alike compelling it. And the merging must continue at an

ever accelerating pace, until human life is organized to achieve the fundamental aspirations of human nature.

Since co-ordination is imperative, the necessary awakening will be a part of it. America could not be aroused for war until there was a war. We could not be educated to ride in automobiles until there were automobiles. But co-ordination today is as inevitable as was competition yesterday, and it is no idle sentimentalism which leads to the conclusion that the mind of America will soon be mobilizing for industrial peace and international good-will. This is a NEW DAY, and he who has the slightest doubt of it is now our impractical sentimentalist.

The difficulties mentioned are not the sort to daunt our American industrial leaders. If they are daunted, of course, new leaders will be found. We have reached the turning point.

AMERICA MUST GO ON TO HER LOGICAL DESTINY AS THE LIBERATOR OF HUMAN LIFE.

APPENDIX

SUMMARY OF THE FEDERAL ANTITRUST LAWS

The Sherman Act

The Sherman Antitrust Law prohibits every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations. Every person who shall so combine or conspire, shall be deemed guilty of a misdemeanor punishable by fine not exceeding $5000, by imprisonment not exceeding one year, or both. Jurisdiction is given to the Federal Courts to prevent and restrain violations of this Act. Temporary injunctions may be issued pending final decrees. The Act applies to persons, corporations and associations. Treble the amount of damages may be recovered by anyone sustaining injury because of violations of the law.

The Clayton Act

In October, 1914, the Clayton Act, so called, was made a part of the law of the land. It tended to liberalize the Sherman Antitrust Law, particularly by exempting labor from the operations of the earlier statute. The Act declared

in Section 6 that the "labor of a human being is not a commodity or article of commerce. . . ."

The Clayton Act virtually follows the Sherman Antitrust Law. Under Section 2, differences in price to purchasers, to lessen competition, etc., is declared unlawful, except for different grades and qualities, and to meet competition. A selection of customers is allowed. Under Section 3, leases, sales, etc., for the purpose of binding the purchaser not to use goods of a competitor, are declared unlawful if such tend substantially to lessen competition or to create a monopoly in any line of commerce. Section 4 reiterates the provisions of the Sherman Act with respect to treble damages. Section 6 is the famous one: "the labor of a human being is not a commodity or article of commerce, and nothing contained in the antitrust laws shall be construed to forbid the existence and operation of labor, agricultural or horticultural organizations instituted for the purposes of mutual help, and not having capital stock, or conducted for profit, or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof; nor shall such organizations or members thereof, be construed or held to be illegal combinations or conspiracies in restraint of trade under the antitrust laws." Section 7 limits the holdings of one corporation in the stock of another, if such tend to lessen competition or create a monopoly or restrain commerce. Stock of another company purchased for investment only is permitted, as is the stock of subsidiary companies for the actual carrying on of immediate lawful business, or natural legitimate branches. By Section 14, officers of corporations are made personally liable for violation of the antitrust laws.

The Federal Trade Commission Act

Almost simultaneous with the adoption of the Clayton Act, the Federal Trade Commission was created with the general duties, (1) to prevent price discrimination where the effect may be substantially to lessen competition or to create a monopoly; (2) to prevent the consummation and operation of "tying contracts" where the effect may be substantially to lessen competition or to create a monopoly; (3) to prohibit in certain cases, so called "holding companies" where the effect may be substantially to lessen competition between the companies concerned, or to restrain interstate commerce, or to create a monopoly; (4) to prevent unlawful interlocking directorates or to discontinue the same where they are found by the Commission to exist.

The Commission is an agency whose business it is to prevent unfair methods of competition; make investigations; in short, it is the vigilante for the government in enforcing the provisions of the antitrust laws. Its powers are very broad, and through its agency it is a simple matter for a complaint to be filed. It is probably the most unusual bureau in the government, because of its freedom from a great deal of the technical procedure which is a part of the routine of other government departments.

Section 5 of the Federal Trade Commission Act states that "unfair methods of competition in commerce are hereby declared unlawful" and empowers and directs the Commission to prevent "persons, partnerships or corporations — except banks and common carriers subject to the acts to regulate commerce" — from using unfair methods of competition in interstate and foreign commerce. Under Section 6 the Commission derives its authority for mak-

ing economic investigations. Section 7 provides that in any suit in equity brought by or under the direction of the Attorney General, as provided in the antitrust laws, the Court may refer such suit to the Commission as a Master in Chancery, to ascertain and report an appropriate form of decree therein.

To determine whether a certain business practice is "unfair," the Commission is vested with quasi-judicial authority to (1) issue complaints against those alleged to be using unfair methods of competition; (2) to hold hearings; (3) to subpoena witnesses; (4) to order testimony to be taken by deposition; (5) to order corporations violating the law to cease from such unlawful practices; (6) to obtain court injunctions to enforce its orders.

The Commission, in its investigative capacity, may lawfully: First, investigate the facts and compile information concerning the organization and operation of corporations engaged in interstate or foreign commerce, and their relations with other enterprises; second, have access to all records of corporations; third, order and classify annual and special reports of corporations; fourth, investigate trade conditions in and with foreign countries; fifth, publish such results of its investigations as appear to be in the public interest.

The Commission may advise the Attorney General in the readjustment of corporations in conflict with the law, and make recommendations to the Attorney General in the enforcement of court decrees. The Commission may also propose additional legislation.

It will readily be seen that under its organic law the Commission is empowered to deal with both the legal and economic aspects of industry. Its economic inquiries are

usually instituted by direction of the United States Senate, the House of Representatives, or the President, but may be inaugurated by the Commission if it so elects.

In initiating proceedings before the Commission, all that is necessary is to address a letter to the Commission setting forth the specific charges against the party alleged to be practicing unfair methods of competition. Also, the Commission may institute proceedings on its own initiative when it has reason to believe that there is a violation of law, and that the public interest would be served.

When the Commission concludes that an individual is using unfair methods of competition, and that it would be to the interest of the general public to institute proceedings, it issues a complaint against such person or persons, in which its charges are set forth. The complaint contains provisions for the holding of hearings and the taking of testimony. When the Commission — resolving itself into a court — has tried the case and found that the business practices complained of, are a violation of the Federal Trade Commission Act, it issues an order requiring the respondent to " cease and desist " from using such unfair practices. If the evidence does not show violation of the law, the proceedings against the respondent are dismissed.

The law provides that the respondent may appeal to the Circuit Court of Appeals of the United States to set aside or modify the orders of the Commission. The Commission may also appeal to the Circuit Court for enforcement of its orders. The Circuit Court's decisions are in turn subject to review by the Supreme Court of the United States.

The Webb Export Trade Act

The Webb Act was passed by Congress in April of 1918, and permits combinations for the purpose of developing export trade, but prohibits practices which, under the Sherman Act and the Clayton Act would be unlawful. It further prohibits unfair methods of competition among American concerns doing an export business, even though these acts be done outside of the territorial jurisdiction of the United States.

The Webb Act authorizes the Federal Trade Commission to receive the statements which " associations " are required to file. The Commission is given authority to investigate where it has reason to believe an export trade " association " has committed an act which is in restraint of trade within the United States, or which is in restraint of the export trade of any competitor of such " association." If the Commission concludes that the law has been violated, it may recommend readjustment of the association's business in order that its organization, management and conduct shall be in accordance with the law.

THE FEDERAL ANTITRUST LAW

With Proposed Amendments

[Act of July 2, 1890 (26 Stat., 209).]

AN ACT To protect trade and commerce against unlawful restraints and monopolies.

(Amendments indicated by capitals.)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. Every contract, combination in the form of trust or otherwise, or ACT OF TWO OR MORE PERSONS ACTING IN CONCERT, in restraint of trade or commerce among the several States, or with foreign nations, EXCEPT WHEN SUCH CONTRACT, COMBINATION OR ACT IS IN THE PUBLIC INTEREST, is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or PARTICIPATE IN THE DOING OF ANY SUCH ACT shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

SEC. 2. Every person, EXCEPT ONE WHO ACTS IN THE PUBLIC INTEREST, who shall monopolize, or attempt to monopolize, or combine or ACT IN CONCERT with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with

foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

SEC. 3. Every contract, combination in form of trust or otherwise, or ACT OF TWO OR MORE PERSONS ACTING IN CONCERT in restraint of trade or commerce in any Territory of the United States or of the District of Columbia, or in restraint of trade or commerce between any such Territory and another, or between any such Territory or Territories and any State or States or the District of Columbia, or with foreign nations, or between the District of Columbia and any State or States or foreign nations, EXCEPT WHERE SUCH CONTRACT, COMBINATION OR ACT IS IN THE PUBLIC INTEREST, is hereby declared illegal. Every person who shall make any such contract or engage in any such combination or act shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

THE CLAYTON LAW

With Proposed Amendments

[Act of October 15, 1914 (38 Stat. 730), as amended May 15, 1916, and May 26, 1920.]

AN ACT To supplement existing laws against unlawful restraints and monopolies, and for other purposes.

(Amendments indicated by capitals.)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That "antitrust laws," as used herein, includes the Act entitled "An Act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890, AS AMENDED . . .

The word "person" or "persons" wherever used in this Act shall be deemed to include corporations and associations existing under or authorized by the laws of either the United States, the laws of any of the Territories, the laws of any State, or the laws of any foreign country.

SEC. 2. That it shall be unlawful for any person engaged in commerce, in the course of such commerce, either directly or indirectly to discriminate in price between different purchasers of commodities, which commodities are sold for use, consumption or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, where the effect of such discrimination may be to

substantially lessen competition or tend to create a monopoly in any line of commerce: *Provided*, that nothing herein contained shall prevent discrimination in price between purchasers of commodities on account of differences in the grade, quality, or quantity of the commodity sold, or that makes only due allowance for difference in the cost of selling or transportation, or discrimination in price in the same or different communities, made in good faith to meet competition OR WHICH DISCRIMINATION IN PRICE SHALL BE IN THE PUBLIC INTEREST: *And provided further*, that nothing herein contained shall prevent persons engaged in selling goods, wares, or merchandise in commerce from selecting their own customers in bona fide transactions and not in restraint of trade.

SEC. 3. That it shall be unlawful for any person engaged in commerce, in the course of such commerce, to lease, or make a sale or contract for the sale of goods, wares, merchandise, machinery, supplies or other commodities, whether patented or unpatented, for use, consumption or resale within the United States or any Territory thereof, or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, or fix a price charged therefor, or discount from, or rebate upon such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies or other commodities of a competitor or competitors of the lessor or seller where the effect of such lease, sale or contract for sale, or such condition, agreement or understanding may be to substantially lessen competition OR CREATE or tend to create a

monopoly in any line of commerce, UNLESS IT SHALL BE IN the PUBLIC INTEREST. NOTHING HEREIN CONTAINED SHALL BE CONSTRUED TO PREVENT PERSONS, FIRMS OR CORPORATIONS FROM JOINING IN AND FORMING ASSOCIATIONS, OR FROM ENTERING INTO AGREEMENTS OR CONTRACTS WHICH SHALL CREATE OR TEND TO CREATE OR ESTABLISH A MONOPOLY OR MONOPOLIES, IF IT OR THEY SHALL BE IN THE PUBLIC INTEREST.

SEC. 7. That no corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital of another corporation engaged also in commerce, where the effect of such acquisition may be to substantially lessen competition between the corporation whose stock is so acquired and the corporation making the acquisition, or to restrain such commerce in any section or community, OR CREATE or tend to create a monopoly of any line of commerce, UNLESS IT IS IN THE PUBLIC INTEREST FOR ANY SUCH CORPORATION SO TO DO AND SUCH ACT IS NOT PROHIBITED BY SEC. 2 OF THE ACT OF JULY 2, 1890 (26 STAT. 209) AS AMENDED.

No corporation shall acquire, directly or indirectly, the whole or any part of the stock or other share capital of two or more corporations engaged in commerce where the effect of such acquisition, or the use of such stock by the voting or granting of proxies or otherwise, may be to substantially lessen competition between such corporations, or any of them, whose stock or other share capital is so acquired, or

to restrain such commerce in any section or community, OR CREATE or tend to create a monopoly of any line of commerce, UNLESS IT IS IN THE PUBLIC INTEREST FOR ANY SUCH CORPORATION SO TO DO AND SUCH ACT IS NOT PROHIBITED BY SEC. 2 OF THE ACT OF JULY 2, 1890 (26 STAT. 209) AS AMENDED.

This section shall not apply to corporations purchasing such stock solely for investment and not using the same by voting or otherwise to bring about, or in attempting to bring about, the substantial lessening of competition. Nor shall anything contained in this section prevent a corporation engaged in commerce from causing the formation of subsidiary corporations for the actual carrying on of their immediate lawful business, or the natural and legitimate branches or extensions thereof, or from owning and holding all or a part of the stock of such subsidiary corporations, when the effect of such formation is not to substantially lessen competition, EXCEPT AS PROVIDED HEREIN, etc. . . .

THE FEDERAL TRADE COMMISSION ACT

With Proposed Amendments

[Act of September 26, 1914 (38 Stat., 717).]

AN ACT To create a Federal Trade Commission, to create its powers and duties, and for other purposes.

(Amendments indicated by capitals.)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That a commission is hereby created and established, to be known as the Federal Trade Commission (hereinafter referred to as the Commission) which shall be composed of ELEVEN COMMISSIONERS, who shall be appointed by the President, by and with the advice and consent of the Senate. Not more than SIX of the Commissioners shall be members of the same political party. AT THE TIME OF THEIR APPOINTMENT: TWO OF THE COMMISSIONERS SHALL BE REPRESENTATIVE OF OR IDENTIFIED WITH ORGANIZED LABOR; TWO SHALL BE REPRESENTATIVE OF OR IDENTIFIED WITH THE SCIENCE OF POLITICAL ECONOMY; TWO SHALL BE REPRESENTATIVE OF OR BE IDENTIFIED WITH INDUSTRY; TWO SHALL BE REPRESENTATIVE OF OR IDENTIFIED WITH BANKING AND FINANCE, AND THREE SHALL BE

CHOSEN FROM THE PEOPLE AS A WHOLE, WITHOUT SPECIAL REPRESENTATIVE DESIGNATION. THE FIRST COMMISSIONERS SHALL BE APPOINTED IN PAIRS — NOT OF THE SAME CLASSIFICATION — AND SAID PAIRS SHALL CONTINUE IN OFFICE FOR TERMS OF THREE, FOUR, FIVE AND SIX YEARS, RESPECTIVELY, FROM THE DATE OF TAKING EFFECT OF THIS ACT, WITH THE EXCEPTION OF THE THREE COMMISSIONERS WITHOUT SPECIAL REPRESENTATIVE DESIGNATION, WHO SHALL BE APPOINTED IN THREES FOR TERMS OF SEVEN YEARS. THEREAFTER ALL COMMISSIONERS SHALL BE APPOINTED FOR A PERIOD OF SEVEN YEARS, except that any person chosen to fill a vacancy shall be appointed only for the unexpired term of the Commissioner he shall succeed. The Commission shall choose a chairman from its own membership. No commissioner shall engage in any other business, vocation or employment. Any commissioner may be removed by the President for inefficiency, neglect of duty, or malfeasance in office. A vacancy in the Commission shall not impair the right of the remaining commissioners to exercise all the powers of the Commission. . . .